



No. 158

MEN OF THE DAY No. 36

Matthew Arnold (1822-88)

"I say, the critic must keep out of the region of immediate practice."

PERSONALITIES and POWER

in English Education

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PREFACE

Although the writing of the studies which follow has been spread, as a labour of love, in the intervals of other interests and duties, over a period of twenty years, it really began much earlier. We all remember the visits to our schools of His Majesty's Inspectors. Some were Humane Merciful Individuals; a few were High and Mighty Inquisitors. If we were at school after about 1900, we did not always realize that we had escaped the period of bondage in Egypt, when teachers were paid by "Results," and that we were being educated in a period flowing with the milk and honey of interest and human kindness. All we knew was that our lives, and evidently even more so the lives of our teachers, were controlled much more effectively by the men who represented His Majesty, or, to a lesser degree, by those who emanated from the local Director of Education, than by the squire or parson.

And so the writer found himself collecting anything relevant to such questions as the following. "Whence do these apparently so powerful men derive their power?" "At what kind of schools were they educated?" "Who inspects the Inspectors and directs the Directors?" "How did the system they administer come into being?" "They and their systems are clearly moulding us. What persons and influences have moulded them?"

These and other questions were asked in no irreverent spirit: indeed it became apparent that the Graham Balfours, the Kay-Shuttleworths, the Arnolds and Morants, were at least as worthy of their meed of hero-worship as the Clive and Warren, Hastings of our history books.

But whilst there were text books on the history of education which were devoid of romance and personalities, and biographies which portrayed the personalities but were like Hamlet without the play, there were very few books which showed the interaction between the personalities and the "power machines" which they operated and were operated by.

Because it is the aim to stress personalities, the studies do not go beyond 1933, but for this there is another reason. In the

early 1930's the Board and most local authorities began to implement the "Hadow" proposals which were based upon the assumption that psychology, as well as administrative convenience, justified a general break between Primary and Secondary School at about eleven years of age. We are told that the acceptance of this assumption was largely due to its appeal to a few senior members of the Inspectorate—but this may be an exaggeration. Whatever the explanation, the Board and Authorities became so committed to the tidy plan of "Secondary education for all at 11 plus" that the "Spens" report of 1938 could hardly have challenged the fundamental assumption had it wished, and so the tripartite division of Secondary education into Grammar, Technical and Modern came into fashion, even if not into the 1944 Education Act.

Many people are now gravely concerned lest this convenient system, which involves so much travel and expense, is sound either psychologically, educationally or socially. We are, however, so far committed that the social historian can but halt his story at the turning point, and await the time when the great experiment can be more objectively assessed.

The work which follows owes its inspiration to Professors J. Dover Wilson and F. Cavenagh. The author also wishes to express his gratitude to Lord Shuttleworth for making available two unpublished photographs of Sir James Kay-Shuttleworth; to the staff of the Ministry of Education Library whose treasures are all too little known and used; to many inspectors and administrators for their help, especially the late Herbert Ward, and Mr. J. E. Dalton and to Mr. F. M. Naylor. The help of Miss D. G. Green, B.A., in reading and correcting proofs is also gratefully acknowledged.

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PERSONALITIES AND POWER IN ENGLISH EDUCATION

INTRODUCTION

"Our stability is but balance, and wisdom lies
in masterful administration of the unforeseen."

BRIDGES—*Testament of Beauty*

PROBABLY the main theme of English history, and the subject of most of its dramatic incidents, is the assertion of local and individual rights against a Central Authority which tried to upset the long tradition that government, like so many other things in life, is a matter of balance between opposite values and forces.

The champions of local freedom who, like Simon de Montfort or Cromwell, have often been forced into revolutionary positions, were usually conservative in that they appealed to past precedent and a return to a real or supposed *status quo*. The 17th century Parliamentarians appealed to Magna Carta; the Glorious Revolutionaries to both Magna Carta and Pym. The Glorious Revolution came to be invoked when George III tried to revive personal rule. Nowadays at educational conferences we have the advantage of many antecedents to quote, but Cromwell seems to be the favourite.

Opposition to central control has in the past been based on a static conception of politics and sociology; men such as Cromwell had not the advantage of the 19th century conception of progress, let alone a knowledge of more recently discovered scientific laws of change. In the main, the kind of progress they wanted fitted into their pattern of a better world based on the past, and they did not, and could not be expected to, see themselves as the temporary instruments of nature's inexorable law of change. Their opposition to Central Authority was also based upon, and conditioned by, the fiercest passions.

It is not surprising, therefore, that when they found themselves swept into power by events, they were themselves unable to solve the problems of maintaining a stable government and yet allowing the maximum local and individual freedom.

This book is an attempt to trace the history of this problem in the most important field of education. The time is appropriate, for in the educational press and at conferences no subject is so much discussed at present as the duty given to the Minister of Education under the Education Act of 1944 (Section 1), "to promote the education of the people of England and Wales and the progressive development of institutions devoted to that purpose, to secure the effective execution by Local Authorities, *under his control and direction*, of the national policy for providing a varied and comprehensive educational service in every area."

Until 1944 the power of the Board of Education was limited to that of "superintending" the work of Local Authorities, and in practice its severest application to a recalcitrant Authority was the withholding of grant. The principle of positive direction and control, backed by legislative sanction, is a striking departure from the main trend in English education. "It represents a mighty leap into the dark," said Mr. W. O. Lester-Smith to the 1949 North of England Conference, "as near an approach to authoritarianism in education as we have had since the Church States of the seventeenth century."

The extent of our progress can perhaps be measured by imagining the Great Protector as Minister of Education since 1944, administering Section 1 under the Instrument of Government, with the assistance of his Major-Generals. It is now possible for a leading Chief Education Officer of a Local Authority to admit that a touch of direction and control "won't do us any harm, especially if it helps to replace quickly a lot of dark, satanic schools," because "so strong is the tradition of freedom in this country that it is difficult to believe any modern Strafford will come along and put a rule of 'thorough' across."

In short, there is now some hope that resistance to real or possible encroachments by the Central Authority will not be merely negative, or based on the *status quo*, but that both the Local and Central Authorities will devote themselves to attaining the kind of autonomy that matters most in the long run—the

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autonomy of the school, the college, and the pupil or student. "I am as much, for government by consent as any man," said Cromwell, when Protector, "but where will you find it?" We have to succeed where Cromwell and so many others failed.

It is not enough to say that Local Authorities must be autonomous—whatever the word means in that context. All those concerned with administering the national policy of education must co-operate in creating schools and colleges which can enjoy, and be worthy of, internal self-government, within a state system which provides stability and wise guidance in the public interest, and encourages the maximum of initiative on the part of schools, colleges and Local Authorities. Many believe that this reconciliation between national policy and local freedom cannot be achieved. It is hoped that this book may provide a record of achievement so far which justifies a reasonable hope that Britain may yet lead a troubled world towards a more successful practice of democracy.

CHAPTER I

JEREMY BENTHAM AND "INSPECTABILITY"

"Broadly speaking, the regularizing of possessive impulses and their control by law, belong to the essential functions of government, while creative impulses, though Governments may encourage them, should derive their main influence from individual or group autonomy."

BERTRAND RUSSELL—*Reith Lectures*, 1949

SINCE about 1830 the State in England has adopted a variety of means to control and supervise matters which until that time had been left almost entirely in local or private hands. Control of police was followed by State intervention in regulating factory conditions, the Poor Law, Public health, Education, and many other social services. The techniques employed, some old, others new, can be grouped under five headings :

- 1 Legislation and enforcement of the law. The main periods of legislative and administrative activity have been :
 - (a) The 1830's, when the Radical ideas of the Benthamites prevailed.
 - (b) The " liberal " period from 1868 to 1874, the period of the new Radical drive, influenced by J. S. Mill.
 - (c) The first decade of the 20th century, when " liberal " forces were reinforced by the " old " Fabian group.
 - (d) The period since 1944, with the new Fabians and the Labour movement in power after 1945.
- 2 Administrative directions, such as commissions, orders, regulations, circulars, administrative memoranda, licences, etc.
- 3 Grants-in-aid and the threat of their withdrawal.
- 4 Inspection and Audit.
- 5 Advice and propaganda, both visual and aural, including Courses for teachers.

Even when governments tried to exercise controls which threatened local interests, they had not the means to make them

effective, until the advent of railways, a quick postal service, the telephone, the typewriter and its accessories, the popular press, air transport, wireless and the film placed such potent agencies at the disposal of the government, that safeguards to local and individual freedom became increasingly necessary.

Parliament itself had to devise techniques for controlling the forces it had begun to unleash, and it was soon found necessary to have Ministers in Parliament who would be responsible for each of the new services. The grant-in-aid, first used systematically in the field of education, led to a system of inspection which is peculiarly English, and as grants-in-aid grew to ever greater proportions, inspection has developed in a characteristically English way. Its coercive character diminished as inspectors devoted themselves more and more to advisory and administrative work. With an equally English absence of logic, certain exceptions to the principle that grants-in-aid must be accompanied by inspection came to be taken almost for granted. The Universities for instance now receive from two-thirds to three-quarters of their income from the Treasury (not the Ministry of Education), and a good deal of the remainder comes from Local Authority grants, yet a very loose supervision by the Treasury is the extent to which they suffer from "control and direction."

In the opposite direction the 1944 Education Act gives the Minister of Education power, put into effect by Circular 198 of 1948, to inspect private or independent schools, whether or not they receive any grant-in-aid.

This book will deal mainly with the last three methods of control referred to above, and especially with inspection, the history of which has not yet been fully written.

A good inspectorate is an essential personal link between a distant Department and the people involved in its administration, and is thus, wisely conducted, a strong safeguard against "government without initiative." Yet with all the weapons the modern State can command, it is not inconceivable that inspectors might be used, even unconsciously, as its agents for propaganda purposes. Much is heard to-day, for instance, of the film as a medium of education. Films, and even film strips, are costly things to produce, and it would not be difficult for a few

inspectors, and a few technicians from another government department, to impose on schools and colleges material which they thought desirable by means of a virtual monopoly. Fortunately, the sifting of ideas for the production of educational films is now delegated to the Committee for Visual Aids, consisting of sixteen representatives of Local Education Authorities and sixteen of teachers' organizations, with five assessors from the Ministry of Education.

The main safeguard against misuse by Government of its vastly increased powers is undoubtedly the existence of strong Local Authorities ; but that is not enough, even if, as fortunately is the case, they have formed themselves into powerful Associations.

The Local Authorities themselves, especially in these days when party loyalties pervade the whole field of politics, are part of the State system, and many citizens do not feel strongly about the autonomy of a Local Authority, which is sometimes more remote from them personally than a Central Department run by people who are well known by voice and appearance.

Initiative and resistance to "government without initiative" must therefore depend on the vigour of social groupings such as the school, the College Governors, the associations of parents, teachers, and countless others, especially the small groups where a few persons get together to discuss a common problem. Whether marcel waving shall be a compulsory examination subject in Hairdressing may seem a trivial matter to most people : to those teaching and practising Hairdressing it is vital and exciting, and it is important that these people shall be able to meet, and having met, feel that their collective views will be seriously considered by those who have the ultimate decision. Machinery for this purpose now exists in the shape of Regional Advisory Councils for Further Education. These bodies owe their existence very largely to the initiative of the Central Education Authority and H.M. Inspectors, but they are maintained from Local Authority funds, and their independence is jealously guarded.

Such is the background to the story which follows, of the influence of the State in English education. It is a very human and English story, lacking in logical or consistent purpose,

perhaps, but full of the English genius for social and political experiment.

Inspection as an Organ of the Modern State

At first sight it would seem that the rapid developments in central government during the nineteenth century were alien to that tradition of local autonomy and individual freedom which we owe so largely to our Anglo-Saxon and Danish stock. The French term *droit administratif*, meaning rule by means of central government officials, has no real equivalent in the English language, nor is there an exact French equivalent for "self-government." Yet centralization in the nineteenth century was accompanied by, and indeed was one of the chief means of promoting, the creation and development of local institutions in England.

Sturdy independence has been a valuable heritage, for in medieval times the State was feudal and theocratic, and therefore mainly concerned with preserving the authority of the feudal aristocracy, and religious uniformity. It became a still greater asset when the growth of towns, the geographical discoveries, the rapid increase in trade and commerce, and the rise of the bourgeoisie had paved the way for the great expansion of the sixteenth century.

The Renaissance liberated men's minds; the Reformation became identified with political nationalism, and the capitalist revolution diverted men's aspirations from the Celestial City to the new city of "El Dorado." From the sixteenth century onwards the State became even more than formerly an instrument for preserving the "sanctity" of private property. Whereas in the best days of the Middle Ages, the Church had concerned itself with promoting the welfare of the poor, the various Christian sects, after exhausting themselves in life and death struggles for supremacy in the sixteenth and seventeenth centuries, found that an age had dawned in which religion, so discredited by the excesses of its protagonists, was no longer a predominant influence.

The period from the middle of the seventeenth century till the French Revolution saw the State system created at the Treaty of Westphalia consolidating itself under the influence of

"Enlightened Despotism." Louis XIV; Peter the Great, and the other despots undoubtedly thought that they were ruling in the interests of their respective countries, and under them the National Monarchies, gathering all the reins of administration into their hands, maintained an active supervision over trade, commerce, education, building, roads, and even matters of personal dress and custom. This, too, was the age of Mercantilism, when by monopolies to Trading Companies, by Navigation Acts, and so forth, each nation sought to extend its own trade at the expense of other nations.

The fundamental defect of Enlightened Despotism was its false conception of what constitutes the greatness of a nation. Aggrandizement, wealth, and power were put before that gradual process of acquiring a political education, without which peace and solidarity are inconceivable. Amidst the squalid progeny of wars, partitions, intrigues, and social misery, which the *Ancien Régime* produced, there was, however, a child destined to usher in the new age. The most important thing the Enlightened Despots did was to patronise Art and Learning, thus producing a culture which, created primarily to charm and flatter the aristocracy, spread rapidly among the middle classes, and then downwards in society, staying to instruct and eventually to destroy the régime that produced it.

What had been happening meanwhile in England? The new Tudor monarchy almost succeeded in hedging the State with that divinity which continental nations have inherited from imperial Rome and *le roi Soleil*. What is more, the Tudors gradually and astutely pursued a policy of converting the ancient democratic Township meetings of burgesses, and the "Open Vestry" meetings of the village parishes, into narrow select bodies, dominated by the Justices of the Peace. More and more local administration was placed in the hands of these unpaid magistrates—many of whom had received their lands and wealth from the spoliation of the Church and the Guilds. They were strictly supervised by the Royal Privy Council and the Star Chamber, so that administration was under the firm control of an executive which was already beginning to exalt itself above the rule of Law.

But Parliament under the Tudors was steadily acquiring

political experience, and developing rules of procedure and a personnel which enabled it successfully to challenge the attempt of the Stuarts to carry the Tudor *droit administratif* to its logical conclusions, and thus set up an absolutism of the approved continental pattern.

The Glorious Revolution once more asserted what Professor Dicey calls the "Supremacy of the rule of Law." During the next century and a half the administrative power of the King in Council was placed under the control of Parliament, which consisted entirely of the landed and commercial aristocracy, the very same class to which the local Justices of the Peace themselves belonged. It would perhaps be truer to say that this vast power devolved upon a *Committee* of Parliament—the Cabinet, which absorbed the executive and administrative functions of the Privy Council, but whether acting through Orders in Council or through Parliamentary Statutes, was ultimately responsible to Parliament.

Another new departure of the eighteenth century was an enormous increase in Private Bill legislation (Enclosure Bills, for example) by which Parliament was "doing by legislation . . . what would on the Continent . . . fall to the provincial or central government directed by the monarch or his immediate servants, without any control by the estates of the realm."¹

We have seen how Parliament, through the Cabinet, became the supreme legislative and administrative authority. By the Act of Settlement it also gained some control over the appointment and dismissal of the King's judges. Justices of the Peace also were appointed by the Lord Chancellor, who was a member of the Cabinet.

Parliament did not, however, take the opportunity to reassert that supervision of local government by the Central Authority which had been completely relaxed since the abolition of the Star Chamber in 1641. The very opposite is the case. Parliament was so concerned with commercial expansion and class legislation that local government went from bad to worse. "In carrying out the laws, Justices of the Peace in county and town were quite independent. No watch was kept by any State Department over their performance of this function. Only when

1 Redlich and Hirst. *Local Government I.* p. 41.

they positively broke the law were their acts liable to reversal on the appeal of an aggrieved party to a higher tribunal. It was impossible to maintain anything like a regular control over the work of local government owing to the want of a permanent Department at the centre. It is true that Parliament could at any time appoint a commission of inquiry into any branch of government, either national or local, in pursuance of the old Parliamentary privilege of unrestricted inquiry. But there was no thought of systematic inspection, and if there had been, Parliament was not capable of undertaking it."¹

The result is that whilst the ruling class of the eighteenth century produced many fine men of action, many notable and eccentric figures in the realms of literature and art, yet domestic institutions, the Borough and Parish meetings, the Schools, the Universities and the Church itself, present a spectacle of corruption and decay. To whichever aspect of administration we turn, whether conditions of labour, the Poor Law, Health and Sanitation, Police, or Education, we are forced to realize the failure of the landed aristocracy to cope with a situation which by 1830 had long since passed out of their control. At the very time when men were so excited by the teachings of the new gospel of Rousseau—the equality of man, and the sovereignty of the will of the people—the Industrial Revolution in England was producing the most glaring extremities of increasing national wealth, increasing private fortunes, and at the same time increasing poverty, degradation and ignorance among the mass of the people. After senseless Revolutionary Wars the slumbering discontent of the multitude was beginning to awaken and audibly to demand that something should be done to better their lot. Among the more fortunate a few, like Robert Owen, Lord Shaftesbury, and above all, Bentham, were also anxious that the State should act.

To sum up: the growth of population, the increase but maldistribution of wealth, the spread of ideas, the growth of humanitarianism, and finally the fear of revolution, all played their part in initiating those revolutionary changes of the 1830's by which the State in England definitely committed itself to "progress" as well as "order."

¹ Redlich and Hirst. *Local Government* I. p. 45.

But neither vague philanthropic motives nor righteous indignation are a sufficient force in themselves to carry through radical social and constitutional changes. Profound knowledge, a definite plan, a reasoned philosophy, and leadership, bold and far-seeing, are wanted. These were provided by the small band of Philosophical Radicals inspired by Jeremy Bentham.

The Radical Movement

The early Radicals were often accused of wishing to introduce into England centralization of the continental type. Whilst, however, it may be conceded that foreign influence played a much greater part in the early history of "bureaucracy" in England than Professor Redlich seems to admit, the history of the Radical Movement should at once dispel the criticism.

The Radical movement began among a small group of politicians, of whom Wilkes, Burke and Dunning were the best-known figures, who consistently fought George III's attempt to reassert the royal prerogative. They not only succeeded in overthrowing this attempt, but Burke outlined a new political ideal by portraying society as a living organism, and by claiming that the real value of every institution should be judged by its practical utility.

• All hope of reform disappeared for the time being with the outbreak of the French War, during which a number of reformers—notably Paine and Godwin—tried to turn the stream of radicalism into revolutionary channels, only to strengthen the tide of reaction till 1832. After the Napoleonic Wars Radicalism entered on a new phase, for it had been given an intellectual basis by Jeremy Bentham.

Jeremy Bentham, 1748-1832

Bentham came of a successful Houndsditch business family, and from Westminster School went to Queen's College, Oxford, where he graduated in 1763. He became a barrister in 1768, but at the time was much more interested in music, dabbling in chemistry, and the application of Newtonian laws to political science. Until the 70's he lived quite the life of a normal young man of his station, but was gradually becoming aware of an intense resentment against the reactionary forces of the age, as summed up in the writings of Blackstone. Blackstone's Commentaries defended the *status quo*, and ignored the new forces

which were revolutionizing the age. In 1776 (momentous year) his *Fragment of Government* appeared anonymously. Blackstone, said the author, ignored the Industrial Revolution, yet if man was going to control the forces of Nature, why should he not try to control his own social destiny? Turning to the growing humanitarianism of the age, also neglected by Blackstone, Bentham crushed the Social Contract theory, and defended the Anti-Slavery and Criminal Reform movements by formulating the aim of the greatest happiness of the greatest number theory. The bad reception accorded to his first appearance in print nearly drove Bentham to despair, but in the year of the French Revolution, having just returned from a tour of Europe, he published his *Introduction to the Principles of Morals and Legislation*.

The Revolution

The French Revolution, which drove Burke into the Tory camp, affected Bentham very differently. He never had much respect for the past. Satirizing the procrastinator's argument, he wrote :

"To-day is the plea—eternal exclusion commonly the object There is in the minds of many feeble friends to virtue and improvement, an imaginary period for the removal of evils, which it would certainly be worth while to wait for, if there was the smallest chance of its ever arriving—a period of unexampled peace and prosperity. When a patriotic king and an enlightened mob unite their ardent efforts for the amelioration of human affairs; when the oppressor is as delighted to give up oppression as the oppressed is to be liberated from it . . . these are the periods when fair-weather philosophers are willing to venture out, and hazard a little for the common good. But the history of human nature is so contrary in all this, that almost all improvements are made after the bitterest resistance, and in the midst of all tumults and civil violence—the worst period at which they can be made, compared to which any period is eligible, and should be seized hold of by the friends of salutary reforms."¹

Bentham therefore believed fresh starts to be possible, that a revolution might be no sin against continuity. So although his

¹ See article in *The Listener*, 3rd August, 1932, by H. L. Beales.

legal mind had no patience with the "Rights of Man," he thought France might be the most likely country to adopt some of his social experiments. He offered to provide a Constitution, and requested permission to try out his "Panopticon" prison scheme. This was a characteristic architectural device by which workhouses, prisons, and even schools were to be built in such a way that from a tower in the roof the all-seeing eye of the officer in charge might see at a glance every activity going on in the building. All social work, Bentham thought, should be done in a scientific spirit, and therefore everyone and everything should be open to inspection. Bentham had no faith in Rousseau's divine savage.

During the Napoleonic Wars, whilst his theories were forgotten in the general turmoil, Bentham quietly prepared constructive schemes for the reform of the Legal Code, for Poor Law Reform (his scheme outlived that actually adopted in 1834), for reform of the Police System, and for a Census (this was adopted in 1800). In 1808 he met James Mill, and soon became the recognized "Patriarch of English Radicalism." He had exhaustively analysed the weaknesses of English society, he had exposed the selfishness and dangers of the legal, clerical, and aristocratic corporations which were confining a new and rapidly expanding society into a leather jacket. He realized the urgent need for scientific planning for the reconstruction of society, and the Englishman's hatred of clear and logical thought. Bentham's importance lies in having provided Radicalism with a clear, logical, and complete intellectual and philosophical basis.

Bentham's General Position

Bentham was an individualist to the extent of believing that all progress begins with the individual. But perfect "equality" had no meaning to his realistic mind, to which government was the means of keeping a balance between individual liberty and public stability and security.

The theory of natural rights, he said, "confounds a primary and logical canon with a statement of fact," and he reminded the French that they had disfranchised women and children. He could not accept the Social Contract theory, which even if it were to exist, would merely be a means to the primary and only end which could justify democracy—the public good as expressed

in the greatest happiness of the greatest number. The question therefore was: How can representative democracy best work?

It must, he thought, be based on five main principles. First, universal manhood suffrage, provided all voters can read. Bentham saw no need for enfranchising women. Second, annual parliaments, so that the legislator shall be *responsible* for his actions and continually in touch with his constituents. Third, vote by ballot. Fourth, the abolition of the Second Chamber, since when it disagrees with the Commons it is "obnoxious," and when it agrees it is "superfluous." Finally, he attacked the monarchy in no uncertain terms, arguing that only under a complete democracy could the government be in the interests of all and not of a privileged class.

Legislation, he insisted, must be based on the consent of the governed; therefore a government must take great care that its policy and its laws are fully explained to the electorate. Completely disregarding historical sentiment, he divided the country into Districts and Sub-Districts, each Sub-District electing one M.P. His Cabinet would consist of the twelve Ministers at the head of as many Departments of State. All Civil Servants would have to pass an examination.

Turning to local government, his parliamentary constituency was to be the unit for such government, each having its council and officials for *four* services:—Police, Poor Law Relief, Domains, and Education. Each district would elect its local Headman, something like the French *maire*.

Bentham believed in democracy in local government as much as in Parliament, but whilst his local councils would be elected by manhood suffrage, and would be given increasing power and responsibility, all their work must be strictly supervised by the Central Départments, through trained, expert inspectors. This is Bentham's solution to the problem of balancing local initiative with State control, and providing that fund of expert advice so necessary to formulate policy.

Two further points deserve mention. First, Bentham based his administrative areas purely on convenience, not tradition. The influence of this idea is obvious in many reforms of the century, but Bentham can hardly be blamed for the piecemeal way in which his ideas were adopted. Secondly, Bentham's

Civil Servants must be professional, technical experts. The influence of his ideas has been most marked in the sphere of Poor Law, Health, and Education.

He lived through the period which saw the complete breakdown of the Elizabethan Poor Law, and the adoption of the wasteful, pauperizing Speenhamland system of "doles" from the rates. The gloomy doctrine of Malthusianism offered no prospect of solving the problem of feeding the increasing population, except by "moral restraint". It is to Bentham's eternal credit that he maintained that "if vice and ignorance were the consequences of the Biblical ordinance to replenish the earth, humanity demanded that labourers should be taught dignity and continence." He therefore advocated abolishing the "dole"; the setting up of workhouses on the Panopticon system; the establishment of "Frugality Banks"; and proposed the terms of the Poor Law which his friend and disciple Chadwick was to carry through just after his own death.

In education, Bentham realized clearly the hopeless inadequacy of the efforts of the Sunday School Union, and the National and British Societies, to combat the "Empire of Ignorance." He therefore demanded a State-aided and controlled system, and elaborated two systems, one for Poor Law Schools, which would have a vocational bias, the other, called the Chrestomathia (or study of useful things) intended for middle and upper class children. In these latter schools no ethics or religion should be taught—intellectual instruction only was to be given. The classics were to be subordinated to *useful* knowledge and skills, and natural science, local history, and archaeology were to be taught. Those things should first be taught, he said, which are easiest to learn. He adopted Lancaster's Monitorial system, and shared his hatred of corporal punishment.

Such are the main contributions by this remarkable Solon of modern times. In addition to all this, he suggested a whole multitude of social and legal reforms, many of which, such as cheap postage, money orders, registration of births and deaths, mitigation of the Criminal Law, abolition of Usury Laws, and so on, have become commonplace matters.

Although he was always ready to make a code and constitution for any foreign country, his main influence outside England

has been in the Colonies to which, whilst alive, he was so sublimely indifferent. Bentinck, setting out for India, was not merely flattering when he said to Bentham, "It is you who will be Governor-General." Gibbon Wakefield's Code for New South Wales came from Bentham's indefatigable pen, and the Durham Report, initiating the idea of self-governing Dominions, was the work of two Benthamites, Wakefield and Buller.

As if all these things were not enough Bentham came up against the difficulty of foreign languages, made a careful analysis, and outlined the principles that should underlie a universal grammar, and thus made himself a pioneer of Esperanto and Basic English.

*Factory Inspection*¹

The four Factory Inspectors appointed in 1833 were our first modern "bureaucrats." It is not our task here to describe the state of the children working in factories in the early nineteenth century, nor to describe the attempts made in 1802 and 1819, by the elder Peel and Robert Owen and others, to better their lot. The administration of these Acts was placed under "Visitors," appointed by the Justices of the Peace, who were quite unable to enforce the law.

In December 1831 the new Whig government supported a Factory Bill introduced by Michael Sadler. It was referred to a Committee of the House which spent so many months collecting evidence that when the new Parliament met in January, 1833, Sadler was no longer a Member. Fortunately Lord Ashley stepped into the breach and brought forward the Bill again. This time the mill owners tried to thwart the Bill by demanding the appointment of a Royal Commission to hear further evidence, hoping no doubt that the Commissioners would be men of the kind they wanted. Actually the three Commissioners appointed, Thomas Tooke, Thomas Southwood Smith, and Edwin Chad-

¹ The following section is based largely on the following authorities:

Children employed in Industry. Robson 1931.

Report of the Chief Inspector of Factories, 1833, containing a history of the service, 1833-1933.

Factory Inspection, published by the International Labour Office, Geneva, 1929.

The Home Office. Whitehall Series. Troup. Reviewed in the *Fortnightly Review*, 1933.

Perhaps the best appreciation of the importance of factory inspection is to be found in Webb's *History of the Poor Law*, Part II.

wick, were men of the most advanced opinions and determined character. Dr. Southwood Smith was one of the great pioneers of social welfare work, especially of the Medical service. Edwin Chadwick was pupil, secretary and devoted follower of Bentham. These Commissioners were empowered to inquire into every form of the employment of children, and to make recommendations concerning their education. Their reports, now historic documents, written with a fine sense of detachment, not only drew a horrible picture of cruelty and wastage of young life, but showed up the weaknesses of Ashley's Bill then before Parliament. The Commission had found that many factory owners had started schools which their child employees attended for part of the day or evening. Lord Ashley's Bill did not mention the subject of education, but the Commission recommended that every child before being admitted to the factory should possess a ticket showing he had been to school for three or four hours a day, some children attending in the morning, some in the afternoon.

The Commission found the more progressive employers emphatic on the need for enforcing legislation by the appointment of Inspectors. A great deal of discussion took place about the kind and amount of inspection required. At first the government was considering making the Inspectors itinerant Justices of the Peace. The manufacturers, familiar with the local Inspectors and Searchers of Woollen Cloth employed in Yorkshire until 1821, and with the three Inspectors of woollen goods who were working in 1833 in Lancashire, Yorkshire and Cheshire, were anxious that the new Inspectors should be appointed by some local agency such as the Sanitary Authority, and should be permanently attached to a fairly small district.

Neither Commissioners nor the government adopted either of these plans. It was recommended that a few Inspectors should be appointed and should make frequent circuits of the chief manufacturing districts. "For this purpose," they continue, "the Inspector should have the right of entering all manufactories where children are employed . . . he should also have cognisance of the arrangements for the education of the children employed. He should have power to hear and determine all complaints of infractions of the provisions of the law . . . and

fine for neglect."¹ There should be regular meetings and frequent reports direct to the Secretary of State, and suggestions for the improvement of the law should be freely given. These "regular reports to a Secretary of State, and the type of man chosen, were the real administrative inventions."²

- Under Althorpe's Act, of 1833 the inspectors were to have power to establish schools for factory children, and a clause in the Bill stated that where a penny per shilling deducted from the
- children's wages was insufficient, the deficiency should be made good by the employer, who might then be wholly or partially reimbursed from the Poor rate. This clause and another empowering inspectors to dismiss incompetent teachers were
- deleted by the Lords, and inspectors could merely disallow a proportion of a teacher's salary. The inspectors were to make arrangements for seeing that every factory child under fourteen produced its certificate of attendance at school for at least two hours for six days of the week.

Of the four Inspectors appointed by the King in Council in 1833, Leonard Horner was the most outstanding. He was a Benthamite, who had just completed a rather turbulent period of office as the Principal of University College,³ and a friend of Dr. Kay, who was to lay the foundations of a national system of education. In 1834 he published a translation of Professor Cousin's famous report on the Dutch system of popular education.

Such were the first bureaucrats whose appointment revolutionized the commonly accepted theory of *laissez-faire*. In the absence of any precedent to guide them, their task during the next few years was uniquely exacting, exciting, and important. Their extraordinary success is mainly due to the fact that from the very first they tried to work by persuasion rather than by compulsion. They "set up a tradition of instruction on details within the law and suggestion on those outside it, which endures to this day."

Factory Inspection and Education

—In his very first report (1833) Horner described the educa-

1 Hutchins and Harrison. *History of Factory Legislation*.

2 Clapham. *Economic History of Modern Britain*, 1926. p. 575.

An inspector could appoint superintendents but until 1844 the law did not give them the right of entry to factories.

3 See Bellot. *History of University College*.

tional clauses of the new Act as "utterly impracticable," since even if enforced, the factory owners would dismiss the children coming under them. A great trade in forged schooling certificates was begun, and prosecutions were frequent. The supreme difficulty of ascertaining the *real* age of a child was so stressed by inspectors that in 1837 Parliament made the Registration of Births compulsory.

Whilst the inspectors had no means of raising sufficient funds for the establishment of schools, the condition of those already in existence was appalling. About 60 per cent of the factory children attended Private or Dame schools, whose inefficiency was exposed by the publication of specimens of certificates written by teachers who were obviously almost illiterate themselves. For example: "this is to certify that 1838 thomas Cordinly as atend martha insip school two hours per day January 6." Cases of overcrowding (e.g. sixty children in a room thirty-three feet by fifteen feet by seven feet high) were common, and as many as three or four hundred children were found in the charge of two teachers. About 35 per cent of factory children attended the "National" or "British" schools, the remainder being in schools attached to the factory.

• Horner boldly suggested that all factories should have a school attached to them, with libraries for the adult workers, and reading rooms—an interesting anticipation of Soviet Polytechnicization. "We might as well," he wrote, "expect the voluntary system to provide an army or navy adequate to the defence of the country." Better salaries and Training Colleges for teachers were among the remedies he suggested.

In 1839 the Factory Inspectors made a special report on the working of the educational clauses of the Acts, based partly on questionnaires to employers. This report led to the formation of the Committee of Council for Education, and the appointment of two inspectors for education, in the same year.

All the factory reports stressed the need for the systematic adoption of a Half Time System, whereby half the children should attend school in the morning, and half in the afternoon. Their suggestions were adopted by Graham's Act of 1844. This Act also gave inspectors power to cancel the certificate of any teacher found to be unable to read or write, and many such

teachers were removed. A still more intefesting clause enabled the inspector to make grants to schools, out of the fines inflicted on employers!¹ Horner used these grants to have printed and circulated to schools 400 copies of a favourite book entitled *Precepts for the Conduct of Life Extracted from the Scriptures*.

Factory inspection was the first major experiment in applying Bentham's principles. The inspectors, untrammelled by the existence of Local Authorities, exercised remarkable executive and judicial powers. Fortunately, they relied mainly on persuasion. They have always been allowed great freedom in expressing their opinions to the government, on the principle that "if it should ever come about that the most responsible and important body of bureaucrats in the country gives up making recommendations that are never acted upon, and confine themselves to strict interpretations of fact Parliament will have only itself to blame."²

The Poor Law

The influence of the Benthamites was next brought to bear on the Royal Commission which had been appointed to prepare legislation as quietly as possible to deal with the problems arising from the breakdown of the Elizabethan Poor Law, and from the brutality and incompetence of the Justices of the Peace in administering palliatives such as the Speenhamland system. The Commission was joined in 1833 by two Radicals—James Traill and Edwin Chadwick. Instead of hearing witnesses personally the Commissioners divided the country into nine areas, and the vast mass of information gathered by the twenty-six Assistant Commissioners was gathered together largely by Chadwick and Nassau Senior into the report of 1834.

Though based on the negative principle of "deterrence," the report inaugurated the creation for the first time of a Central Department and elective Local Authorities to administer a particular Act. The Department was invested with wide powers of supervision over local administration, but Parliament could not exercise full control of the Department because Commissioners were ineligible to sit in Parliament.

Among the nine Assistant Commissioners were two men,

1 Indeed at first the names of employers convicted of serious offences were published.

2 *Fortnightly Review*, 1933.

Dr. James Phillips Kay and E. C. Tufnell, whose work during the next few years is of the greatest educational importance. Dr. Kay was a native of Rochdale, and was educated at Salford Grammar School and Giggleswick. After a distinguished career as a medical student at Edinburgh University he did several years' work as a Medical Officer in Manchester. Years of unremitting toil on the social conditions of the poor in Glasgow, Liverpool and Manchester so undermined his health that in 1835 he welcomed the change of work and environment offered him by being invited to serve as Assistant Poor Law Commissioner under his fellow Lancastrian Chadwick.

The powers of Poor Law Inspectors appointed under the 1834 Act were large, but they could not prosecute. They were asked to work by persuasion, and to make constructive suggestions for the improvement of the administration. They thus "represent an addition to government machinery essentially different in character from the Inspectorate which forms such a centralized national administration as the Post Office, the Inland Revenue, or the Customs and Excise . . . one of finer function than anything that Jeremy Bentham had conceived, or that Chadwick had contemplated."¹

Inspection and Public Health

Chadwick's main interest was the problem of Sanitation and Public Health, and soon after responsibility for Sanitation had been placed upon the Local Authorities set up by the Municipal Corporations Act of 1835 he began a national investigation into Public Health, with the help of Drs. Arnott, Southwood Smith and J. P. Kay. The employment of these medical men by the State, and the resulting surveys, were the first steps towards the future National Health Service.

The Public Health Act of 1848 was unfortunately modelled on the Poor Law and not on the Municipal Corporations Act, and the three Commissioners appointed (for five years) were not responsible to a Minister in Parliament. The Local Authority was to be the City or Borough Council in the towns, whilst the Central Board might create a District and a Local Board, either when petitioned by one-tenth of the Poor Law ratepayers, or where the rate of mortality was abnormally high. Another way

¹ Webb's *History of the Poor Law*. Part II. p. 169

in which this Act resembled the Poor Law was its giving the Central Board power to audit local accounts, but the Auditor was to be appointed by the Local Board—a mistake not rectified until the appearance of the District Auditor in 1875.

Chadwick's administration of the 1848 Act was as unfortunate as his turbulent career with the Poor Law Commissioners. The only thing that might have won over local feeling into accepting these huge doses of centralization was the grant-in-aid, but that was conspicuously absent—an instructive contrast to the, at first, unequally unpopular interference of the State in education.

Rumours of corruption among central and local officials further strengthened the reactionary movement led by Toulmin Smith at a time when Palmerston was, like a fish out of water, at the Home Office. In 1854 the administrative powers of the General Board were transferred to the Privy Council, and thus ended Chadwick's stormy official career.

Conclusion

To sum up: We have seen how Factory Inspection, Poor Law and Public Health legislation (and the same will be noted presently of Educational legislation), grew up *after* the practical researches of public administrators had shown the need for, and directed the main lines of, reform. Springing from the necessities of the situation, and not from first principles, each line of advance has its own peculiarities. Factory Inspection is from the first carried on from the Home Office, because there are no Local Authorities in existence to deal with the subject. The inspectors have large powers, but they work by persuasion rather than compulsion. They carry on quietly through the years of reaction, undermining the Truck system, opening out new fields for inquiry and research, and presently develop the need for specialist medical and industrial research. They inevitably have much to teach other countries, and are brought closely into contact with foreign governments and, later, the International Labour Office.

The Poor Law creates Local Authorities, but entirely under its own inspection and audit. This is too centralized to last, especially as the possibilities of a grant-in-aid are not yet realized. Unlike the Factory Inspectors, the Poor Law Commissioners are not responsible to a Minister in Parliament. As a result, the

Commission's wings are so severely clipped (1853) that it cannot become creative, except in so far as its work opens out new problems in education and health. The Public Health Board (1848) suffers from the same defects; too much centralization and no grant-in-aid; it therefore disappears (1854). From 1871 the Local Government Board directs both Public Health and Poor Law, and is unfortunately inclined to apply the principles of the latter to the former, until in 1919, the Ministry of Health is created.

The Committee of Council on Education has the unique advantage from the first of being able to offer inspection as a condition of grant-in-aid (1839). This establishes relationships (however strained) with local managers, which gradually move religious difficulties into the background. Even in the period from 1861 to 1890, the grant-in-aid stimulates progress (or change), and from 1902 educational administration takes the lead in a new adventure in self government.

CHAPTER II

KAY-SHUTTLEWORTH AND STATE AID TO VOLUNTARY EFFORT

The Control of Education

"Offrir à tous les individus de l'espèce humaine les moyens de pourvoir à leurs besoins, d'assurer leur bien-être, de connaître et d'exercer leurs droits, d'entendre et de remplir leurs devoirs:

assurer à chacun d'eux la facilité de perfectionner son industrie, de se rendre capable des fonctions sociales auxquelles il a droit d'être appelé, de développer toute l'étendue des talents qu'il a reçus de la nature, et par là établir entre les citoyens une égalité de fait, et rendre réelle l'égalité politique reconnue par la loi:

tel doit être le premier but d'une instruction nationale; et sous ce point de vue, elle est pour la puissance publique un devoir de justice;

Condorcet. Rapport . . sur l'organisation . . de
l'Instruction publique.

For countless generations in the early history of man the education of children was left entirely to the family, controlled by tribal custom. Later, the boy of Athens during her greatest days combined a thorough formal training in music and 'gymnastic' with great freedom to work off his physical energies, to watch and try his hand at the work of the craftsman, the sculptor or the artist, to attend the discourses of a philosopher, or to wander idly along the sea-shore, his head filled with youthful imaginings. Nevertheless, the culture of his city was maintained by a large slave population, and his sister's education was grossly neglected.

The Roman boy, following the Spartan model, belonged to the State, and was trained in the virtues of a governing class: courage, justice, loyalty to country and empire rather than to excel in intelligence.

In the 12th and 13th centuries we find education everywhere

controlled and directed by the Church. At first bishops themselves exercised personal superintendence, but soon their power was delegated to the Grand Chantre, or to the *écolatre*, later known as the "diocesan inspector," who controlled the whole life and teaching of the schools in the name of the bishop.

During the 13th century, the Crusades and the influence of Arab civilization, the beginnings of geographical discovery, of industry and commerce, the growth of towns, and of the middle classes, led to the establishment of Guild and Municipal Schools in nearly every country, but these schools remained under the control of the bishop and the inspection of the *écolatre*. The inevitable clash between a clerical and a secularist outlook gave rise to a growing opposition to clerical control, which underwent fundamental changes after the Reformation. In the Protestant countries, political control was substituted for religious, but the schools continued on clerical lines, and the instruction was used to foster and strengthen the new faith, just as in Catholic countries and Jesuit schools it was used to defend or inculcate the old.

Political control led to the appearance of a new organ of control—the *Commission Scholaire*, the first of which appears to have been created by the Bishop of Strassburg in 1521, to supervise the schools of the See.¹ The *Commission Scholaire* included lay inspectors (amateur, of course), who belonged to the notability, and representatives of the clergy of whichever faith was in the ascendant. As the period of religious enthusiasm waned, the new States began rapidly to use education as a weapon for political and national purposes. In some countries the Catholic Church itself was broken up and annexed by the princely State.

The ideals of French Revolutionaries gave organized expression to the new conception of education as a "right" of every citizen, and as a responsibility of the State. Two important principles emerge from the writings and policy of men like Condorcet and Robespierre:

- (a) the substitution of control by trained, professional educators, responsible to the State, for ecclesiastical control.

1 Dottrens. *Le problème de l'Inspection et l'Éducation Nouvelle*, p. 5.

(b) The right of the parents to have some share in the control of the schools.¹

As in so many other spheres, the revolutionaries were unable to put their ideas into practice, but Napoleon adopted many of their plans, and under his régime they spread like wildfire, and were imitated in States, such as Prussia, even by his enemies. A good example is Switzerland, where the Helvetic Republic was proclaimed in 1798. A great educational reorganization was undertaken by P. A. Staffer, and each Canton was given an educational council of eight members, two teachers, five citizens, and one Minister, which appointed for every district an "Inspector of public instruction," responsible to the Minister, with great power over schools and teachers, the whole system aiming at inculcating democratic ideals. The process of making liberalism itself a tradition, to be handed on by dogmatic education, spread rapidly to other countries.

State Inspection existed in Prussia as far back as 1794, and the great reforms of Stein and Jahn were closely studied by the founders of English popular education. But perhaps the system which had most influence in England was the Dutch. The attention of Dr. J. Phillips Kay and E. C. Tufnell (the Assistant Poor Law Commissioners) was attracted to the Dutch educational reforms undertaken in 1812, by a report on it by the French Professor Cousins. The two Englishmen, therefore, visited Holland, and Kay's friend, Horner, an Inspector of Factories, published an English translation of Cousin's Report in 1834. Kay found that the Dutch had a unified system, whose two central features were the existence of a body of highly trained pupil teachers; and a highly organized system of inspection. The Central Authority employed 94 "arrondissement" inspectors, appointed for six years only, 25 District inspectors, nominated, suspended and dismissed by the Queen, and 3 Inspectors General, each responsible for a third of the whole country to the Minister of the Interior. The District work was usually done gratuitously, only 28 of the 121 inspectors receiving a fixed salary. Local or Communal inspection was carried on by 200-300 local commissioners whose duties were to inspect Primary Schools and help the teachers. These were appointed by the Communal

¹ Plan d'éducation Nationale, presented to the Convention 13th July, 1893.

Council. The inspectors of the Central Government, acting under detailed instructions, wielded powers which were never given to English inspectors. They controlled the appointment and examination of teachers; and drew up a panel of text-books to be used in the schools; they organized libraries for, and initiated associations of, teachers. Each school was visited twice and reported on four times a year. At least three times a year the District Inspector held conferences of all his arrondissement colleagues, reports of which he sent to the Inspector General and to the local financial authority. The Inspector General was the all-important link between the "field" officers and the Minister. Head and assistant teachers were compelled to give any information required, and any teacher refusing to obey an inspector was liable to a fine of 600 florins or three months' imprisonment. Kay was a great admirer of the Dutch method of "well-devised regulations gradually carried into effect by a system of inspection so devised as to be in perfect harmony with the municipal institutions of the country and the character and feelings of the inhabitants."¹

Other English-speaking parts of the world were leaving the mother country behind. In Ireland, State grants amounting to £216,000 had been made by the English Parliament to the Kildare Street Society before 1833, by which date Ireland possessed a Board of Education, a State Training School for teachers, and State Inspectors. Boston, and other cities of the United States of America had appointed public supervisors, and in 1822 James Rose-Innes had been appointed Superintendent-General of Education for Cape Colony.²

Education in England

In England, as in other countries, education was regarded by almost everyone until recent times as the handmaid of religion. For centuries the only hope of obtaining education for a poor boy had lain with the Church, which, through the licensing of teachers by the bishop, and the right of visitation, had monopolized control of the schools which had sprung up around the parish churches, cathedrals and universities.³ Such names as

¹ Smith. *Life of Kay-Shuttleworth*, p. 95.

² Montmorency. *State Intervention in Education*, Ch. V.

³ Foster Watson. *The English Grammar Schools*, p. 20.

those of Newton, Whitefield, and Whewell—show that it was possible until towards the end of the 18th century for an able boy to acquire a sound education in the endowed school, and to win university fame.

The Anglican Church of the 18th century became corrupt (only, of course, in company with other institutions), and extremely aristocratic. The endowed schools sank into decay along with the universities, and at the beginning of the 19th century the children of the "lower orders," except in a few districts where voluntary effort still provided a school approaching efficiency, were receiving practically no education worthy of the name.

The Church was not rapidly converted to a belief in education for the labouring poor. In 1803 the Bishop of London wrote as follows:

"Men of considerable ability say that it is safest for both the Government and the religion of the country to let the lower classes remain in that state of ignorance in which nature has originally placed them."¹

Whilst the Bishop deprecated this attitude the same point of view appears in the writings of Dr. Bell in describing the Madras system:

"It is not proposed that the children of the poor be educated in an expensive manner, or even taught to write and cypher . . . There is a risk of elevating, by an indiscriminate education, the minds of those doomed to the drudgery of daily labour above their condition and thereby render them discontented and unhappy in their lot."

The main body of opinion throughout the early 19th century believed in one type of education for the governing classes, and another for the poor. The former type was to be found in the Public Schools—endowed schools galvanized to life by able headmasters like Arnold, Thring, and others, and made into fashionable boarding-schools—where qualities of leadership, self-government and "muscular Christianity" were to be mingled with a "liberal," literary education. The poor were to attend educational factories, drilled in the three R's, and in the sound

¹ *International Education Review*, Jan. 1933. Article by N. Hans on English Tradition of Education in English-speaking countries.

moral virtues of obedience and resignation, lest they should be "unhappy in their lot." Even Bentham, who, after all, came of a good Church family, adopted this point of view in his *Chrestomathia*.

The Voluntary System in 1830

Protected by the Act of Uniformity of 1662, which forbade any Dissenter to keep a school, the number of endowed schools directly controlled by the Church had risen by the middle of the 18th century to about 4000, which was the figure for 1842. The Society for the Propagation of Christian Knowledge had built another 2000 schools by 1741, but its work and schools were taken over largely by the National Society for Promoting the Education of the Poor in the Principles of the Established Church, formed in 1811. The number of "National" schools in 1834 was about 3000, and they were left almost entirely to the supervision of the local clergy. "As is the clergyman, so is the school," was the frequent verdict of State inspectors in the fourth decade of the century. The number of children who received some kind of education from the Sunday School Union, founded in 1785, is difficult to estimate.

The Dissenters took advantage of certain judicial decisions during the 18th century to establish schools, and in 1834 their British and Foreign Society controlled and inspected about 490 schools.

By the time the Whigs obtained power in 1830, a number of forces was already focussing attention on the need for supplementing voluntary effort in education. The industrial revolution had brought together large masses of uneducated wage-earners, and many persons had come to believe, through a combination of Christian charity and fear of revolution, that these masses must be educated. Alongside the conception of State aid to voluntary schools, a movement was beginning, chiefly among the middle classes, in favour of a national system of popular education, entirely under public control, and devoid of any denominational instruction. It did not find full expression or an organized form till the creation of the Birmingham Secularist League by Joseph Chamberlain in 1867, standing for an educational "ladder," compulsory attendance, abolition of fees, assistance to poor pupils by scholarships, and strong local authorities. This

movement gave the Liberal party its impetus to go forward with the Act of 1870.

The Origin and Development of State Inspection, 1839-1861

For the moment, all the efforts of the Radicals to get an Education Bill through Parliament seemed doomed to failure. Whitbread's Bill of 1807 was defeated in the Lords because it threatened the Church's control. Brougham's measure in 1820, which would have given the Church still greater powers than it already possessed, including the sole right of inspection, was successfully opposed by the Nonconformists.

On 30th July, 1833, Mr. J. A. Roebuck, M.P. for Bath, moved in the House of Commons a remarkable resolution demanding "the Universal and National education of the whole people."¹

Roebuck's speech, like Guizot's great manifesto in France a month earlier, started from the assumption that education is the most important public service, and outlined a complete system from infant school to university. Its chief administrative feature was to be a Board of Education, with a Cabinet Minister at its head, to control all branches including Technical, Science, and Art. Unified Control would have meant a Unified system of inspection—its rejection by Parliament meant that each branch of education was left to develop on its own lines, and in the end led to that administrative muddle which was the legacy of the 19th to the 20th century.

About a month after Roebuck's speech, recourse was had to a Vote on Supply, granting £20,000 a year to the National and British Societies (£11,000 to the former, £9000 to the latter) for the purpose of aiding Voluntary effort in the erection of School Buildings for the education of the Children of the Poor.² In this hesitant manner did Parliament (only a small proportion of which was present at the time) admit State responsibility. But compulsory inspection, which was being applied to the factories, was avoided in the case of education.³ The system of Treasury grants, without inspection, to the voluntary societies, by officials who knew practically nothing about either building or education, was a failure.

¹ *Hansard*, XX, Col. 139. Montmorency, pp. 236 and 325.

² See Kay's account in *Four Periods of Education*, p. 235. Some one facetiously remarked that a much greater sum was granted towards the upkeep of the Royal Stables in the same year.

³ Halévy. *History of the English People*. Vol. III, p. 229.

The Select Committee appointed on Roebuck's motion in 1837 refused to suggest anything further than extension of the Treasury grants, and in the following year a further effort to secure legislation was made by Mr. Wyse, M.P., the leader of the Central Society of Education. His proposal for a system of Central and local inspection, the former to acquire information, the latter to conduct the detailed inspection and examination of schools, was a striking anticipation of later developments.

That the Whig Government was dissatisfied with the existing state of affairs was revealed in Lord Russell's letter to Lord Lansdowne, laid before the Commons on 12th February, 1839, which named the lack of qualified teachers and a good Training School, imperfect methods of teaching, and "the absence of any sufficient inspection of the schools and examination of the nature of the instruction given," among the chief defects needing urgent remedy.

The Committee of Council on Education

The Whig Government was not prepared for another struggle with the Lords as over the Reform Bill, and so on April 10th 1839 a "Committee of the Privy Council on Education" was created by the Queen in Council, for the purpose of administering the Parliamentary grant. Russell had already declared that its immediate aims would be to establish a Normal School, to compile suitable school-books, and to promote infant schools. To the Church party this was merely the snake of State Control concealing the poisonous fang of inspection, and owing to their fierce opposition the proposal for a Normal School was scotched. On the same day as this plan was abandoned, however, the Committee played its second card. The minute of 3rd June, 1839, reads as follows:

"The Committee recommends that no further grant be made, now or hereafter, for the establishment or support of Normal Schools, or any other schools, unless the right of inspection be retained, in order to secure a conformity to the regulations and discipline established in the several schools, with such improvements as may from time to time be suggested by the Committee."¹

¹ *Minutes*, 1839, p. 8.

The Struggle with the Church

The appointment of the Rev. W. Allen and Mr. Seymour Tremenheere to be the first two inspectors of schools in December 1839 was but a small beginning to Kay's ambitious schemes, and for some time the bishops and clergy rejected over half the total amount of grants offered their schools rather than admit "Russell's Bashaws," over whose appointment they had no control, into their schools. At first the National Society demanded that reports on schools should be sent to the Bishop of the diocese and to the Committee simultaneously, but Kay refused to concede more than that reports should be sent to the bishops *after* presentation to the Committee, insisting on the inspector being purely a *Civil* Servant. In regard to the appointment of inspectors, however, he had to submit to a compromise, which was drawn up by Lansdowne and the Archbishop of Canterbury, and embodied in a document presented at Court on 10th August 1840. The Concordat read as follows:

"That before we recommend to Your Majesty any person to be appointed to inspect schools receiving aid from the public, the promoters of which state themselves to be in connection with the National Society or the Church of England, we should be authorized to consult the Archbishops of Canterbury and York, each with regard to his own province, and that the Archbishop should be at liberty to suggest to us any person or persons for the office of Inspector, and that without their concurrence we should recommend no person to Your Majesty for such appointment . . . We further beg leave humbly to recommend to Your Majesty to direct that such portion of the instructions to these Inspectors as relate to religious teaching shall be framed by the Archbishop . . . We are further of the opinion that each of the said Inspectors at the same time that he presents any report relating to such schools to the Committee of the Privy Council, should be directed to transmit a duplicate thereof to the Archbishop of the Province, and should also send a copy to the Bishop of the Diocese . . ."¹

The Concordat naturally aroused the fears of the Nonconformists. The British Society was loud in its complaint against

¹ *Minutes*, 1840. The custom of sending reports to the bishop had died out by 1865.

the Church's control over the appointment of inspectors. In vain did Kay try to conciliate them by promising that reports on British schools should be sent to the Committee of the British Society on the same conditions as those sent to the Bishops. In July 1842 matters were brought to a head by the publication of Tremenhoe's unfavourable report on the British Schools in London.¹ The Society at once demanded that as the Report attacked the Monitorial system and was obviously biased, only that part of it should be published which related to the five schools which had actually received grant. The Committee refused to grant this request, and published the whole report. The Society then resolved that Tremenhoe did not deserve the confidence of the Society; that all his proceedings had tended to weaken the connection between local schools and the parent society; that he had inspected and reported on religious instruction contrary to his instructions, and had interfered in the discipline and management of schools, and that all his doings had tended to depreciate the services of the Society to the cause of education.

In the end Tremenhoe was superseded by Joseph Fletcher, and Lord Wharnclyffe, the President of the Council, gave the British Society an assurance that in future no inspector would be appointed for British Schools without the full concurrence of the Committee. Similar agreements were made later with the Wesleyan Education Committee (1840), the London Ragged School Union (1844), the Catholic Poor School Committee (1847), the London Committee of British Jews, and other societies.

These Concordats had far-reaching results. Kay's hope for a non-denominational system was doomed to disappointment. Henceforth for thirty years the Inspectorate was to develop on denominational lines, with separate inspectors for Church of England, Nonconformist and Catholic Schools. This not only led to administrative waste, but encouraged a certain disunity among inspectors and sectarian jealousy among schools and teachers. On the other hand, it was of enormous importance to English education that there was a steadily increasing number of men, differing widely in their religious and to some extent, in

¹ *Minutes*, 1842-43, pp. 401-538.

their political beliefs, who were being bound together in a common allegiance to the service of national education. They were Civil Servants, developing a common tradition and technique of supervising education.

The First Report

The first report to the Committee of Council was presented by H. S. Tremenheere on 15th February 1840, and described the State of Elementary Education in the Mining District of South Wales.¹ He had received a short letter from Kay dated 18th December 1839, explaining that applications for grant had been received from South Wales, and concluding with the following paragraph, which may be regarded as the first Instructions to Inspectors:

"In making these inquiries, while you will not fail to avail yourself of every facility freely afforded you, you will carefully avoid acting on the presumption that you are invested with any authority to enter or inspect any schools without the express permission of the managers, or to require from any individuals facts or information which they are unwilling to communicate to you. You will rely solely on the voluntary co-operation of the gentlemen, magistrates, clergy, and others to whom you may be introduced, and on the means which you will possess of prosecuting your inquiries in person among the working classes themselves; and you will of course use great caution with respect to the correctness of any statement you may submit to the Committee."²

Tremenheere's report was a comprehensive survey of a district which presented all the problems of a rapidly industrialized community. If he had confined himself to a description of the small amount of education that existed, he would have had little to say. Fortunately, he gave a vivid analysis of the factors for and against educational progress. He drew up family budgets which showed that the working men's wages, which amounted to about £6 to £6 10s. a month, were spent as soon as earned, beer always accounting for a fair sum. He found that employers usually paid their men at a public-house, which they often owned, deducting the charge for hiring a room, and supplying every

¹ *Minutes*, 1839, p. 176.

² *ibid.* p. 174.

incentive to the spending of the wages upon beer. The Temperance Clubs themselves expected their members (even if absent) to contribute 2d. a week for beer.

Tremenheere gave a detailed description of child labour and the Truck System, and concluded that it was these evils, and the indifference to them, and not poverty, which was the cause of ignorance and immorality, and that voluntary effort would never cope with them. He obtained a great deal of information about crime, drunkenness and other aspects of working class life, which he did not include in the report. Not the least important part of the report is Tremenhheere's encouragement of the movement to build infant schools, as the one sphere where voluntary effort, supported by the Middle Classes, was beginning to rescue small children from the pits.¹

The Development of Inspection under Kay-Shuttleworth 1840-48

When Kay-Shuttleworth retired in 1848 there were eight inspectors of National Schools, two of British and Wesleyan and one of Catholic, whilst Allen had become Inspector of Training Schools. It was impossible for such a small body of men, however able, or enthusiastic, to inspect all the grant-aided schools, which means that their Reports relate only to a fraction of the total number of schools in the country. Whatever "influence" may have been used in their appointment, they were all men of high academic distinction, and generally carried out their exceedingly difficult task with great tact and ability. They were, of course, "amateurs" with no special knowledge of teaching. In those days when the study of the methods and principles of education was in its infancy, it is remarkable that this little band of men should continually have suggested so much, that experience has proved to be sound.

Their instructions consisted of a copious flow of Minutes, supplemented and explained in detail by long and frequent circulars from the indefatigable Secretary. In addition, the inspectors were asked to keep weekly diaries of their official work, and a voluminous correspondence passed between them and Kay-Shuttleworth. Before long several inspectors asked if he would draw up a scheme of questions to be asked as they went round the schools. Not only did he do this, but he sent them all

1 *Minutes*, 1839. p. 188.

the latest tracts and Parliamentary news¹ on the subject of education.²

The first Instructions to Inspectors, which appeared in the first volume of Minutes in 1839, strike the key-note of the liberal policy pursued by the Committee of Council during this period. Inspectors were in no way to interfere in the instruction, management or discipline of the schools, or press upon the managers any suggestions they might be disinclined to receive. Inspection was "not a means of exercising control, but of affording assistance." They should do their utmost to visit non-aided schools when invited. Their reports should be written with a view to helping Parliament. Their functions were defined as three-fold—first, determining where Government aid was needed; second, inspecting grant-aided schools; and third, reporting on the state of education of any particular district when requested. The Instructions to Inspectors of Church schools were, of course, drawn up by the Archbishops. Inspectors were to inquire with special care "whether the doctrines and principles of the Church of England were instilled into the minds of the children." They would inquire whether private prayers were taught the children to repeat at home, whether the teachers kept any intercourse with the parents, whether the religious knowledge was "showy or substantial, and whether replies are made intelligently or mechanically, or by rote."²

In all schools inspectors must be careful to estimate the advancement of the Junior, as well as the Senior pupils; to examine the suitability of the site and buildings and the validity of the tenure; to see that the Bible was read daily in other than National Schools, and to give special attention to the practical instruction of girls in household management. Plenty of notice must be given to managers so that local committees could be present on the day of inspection.

The report was to be arranged as follows :

(1) *Mechanical arrangements*

Buildings, size and ventilation of class-rooms and number of children in each.

¹ Smith. *Life of Kay-Shuttleworth*, p. 154 and *Minutes*, 1840, etc. Kay took the name Kay-Shuttleworth on his marriage in 1842.

² *ibid.* p. 31.

Arrangements of Desks—whether on Mr. Bell's or on the Lancastrian plan.

(2) *Means of Instruction*

Details of Books and apparatus.

(3) *Organization and Discipline.*

Classes—Whether each child is under one teacher all the time.

Number of Monitors (and/or) pupil teachers.

Rewards and punishments—whether they depend on intellectual or moral proficiency or both.—The nature of corporal punishment (if any).

(4) *Methods of Instruction*

Whether mutual (Monitorial) or simultaneous (Class) teaching.

(5) *Attainments*

In Reading, Writing, Arithmetic, Singing, Drawing, Physical Exercises, Geography, Grammar, History and Etymology.

In each subject four or five grades of proficiency were suggested, and a form was provided for entering in the grade of each class in the various subjects.¹

A copy of the report was to be sent to the Committee of Council *immediately* after the inspection.

Inspectors were encouraged to extend their inquiries to the condition of the poor in their districts, and many of their early reports form invaluable and little used material for the study of social conditions of the period. Thus during the first stage, partly for diplomatic reasons, the inspector's function was first and foremost that of an investigator into school needs; second, that of a missionary to stimulate and guide school progress, and third, that of an inspector, testing school worth. Whilst the passage which stated that the function of the inspector was "to collect facts and information and report them to the Government" remained in the Instructions down to 1903, their constructive power was never more clearly indicated than by Kay-Shuttleworth. They were indeed given a latitude in reporting on social conditions, and in criticizing authority, which soon

¹ *Minutes*, 1840. p. 32.

incurred the displeasure of many influential persons, and which certainly would be considered undesirable to-day.¹

The work of inspection widened enormously in scope during this period. In 1843 the Government grant was extended to include, not merely, the erection of schools, as formerly, but teachers' houses, school furniture and apparatus, and the equipment and building of Training Colleges. This led to a rapid increase in the number of building grants, and to a consequent reorganization and increase of the Inspectorate. The country was divided up into five districts with an inspector to each, and each district into five sections. It was estimated that an inspector could visit 140 schools twice a year, with one day a week and two months a year free for reports, and one month's holiday. Each school was to be visited during the same month every year, and the grant paid accordingly. To carry out this scheme five new inspectors were appointed at a salary commencing at £450 a year with 15s. per diem for travelling expenses. They were to be men of university education, extensive acquirements, and good manners. It was frankly realized that they would not at first possess the necessary knowledge, tact, or skill, which could only be acquired by experience.²

In 1844, as a result of Allen's report calling attention to the common abuse of endowments, inspectors were asked to inquire into the financial resources of endowed schools, and also into the use and abuse of small endowments. Another problem of this period was the existence of many schools which had received Treasury grants since 1833 and which refused inspection. In December 1844 these schools were compelled to allow inspection, or forfeit their grant.

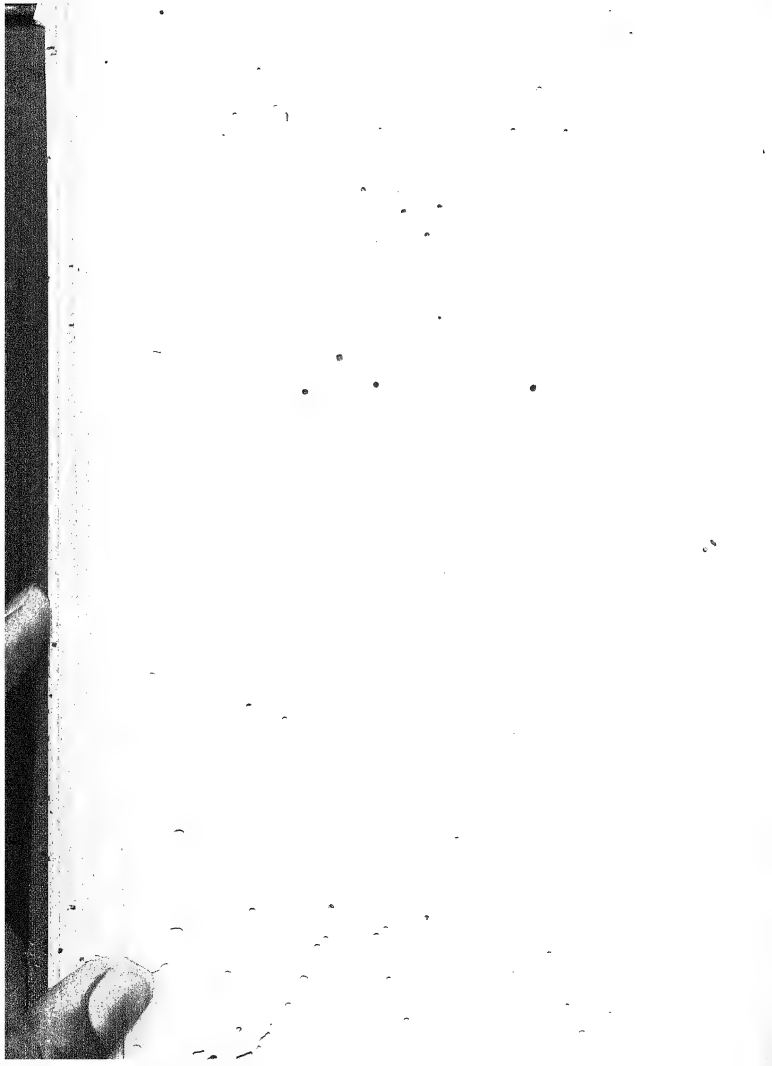
The chief defect referred to by all the early reports was the lack of trained teachers. The description of their condition by Macaulay in Parliament is amply borne out by the Blue Books. Brougham amused the House of Lords by the story of a teacher who boasted of familiarity with so many subjects that one of the Commissioners, note book in hand, remarked, "I see we have multum in parvo here." Whereupon the teacher, thinking no doubt that he might as well go the whole hog, added, "Yes, you

¹ Evidence before the Select Committee of 1865.

² *Minutes* 1843. Also Holman, *op. cit.*, p. 96.



Sir James Phillips Kay-Shuttleworth with his two eldest sons (about 1852)



can put multum in parvo down too." "The great want," wrote Allen in 1844, "is that of properly trained teachers with better salaries and status. The existing teachers do not realize their responsibilities." F. C. Cook reported that in the E. District there was an average of one teacher to 150-300 scholars. Inspired by the Dutch system of pupil teachers, whereby selected pupils were apprenticed to, and taught by, an experienced teacher for five years, and then entered a Training College, Dr. Kay had secured the appointment of pupil teachers at the West Norwood Poor Law School in 1838.¹ By the Minutes of 1846, he introduced this system into the policy of the Committee. The inspector was to decide whether or not a teacher was suitable to train apprentices. The managers could then choose pupils they thought fit to be apprentices on moral grounds, and from these the inspector made the final selection on intellectual grounds. These pupils would then become either Stipendiary Monitors for four years, or Pupil Teachers for five. For their teaching work they received a small annual grant paid to them direct. They were taught out of school hours by the master, and examined by the inspector at the end of every year. The best of them were awarded Queen's Scholarships of £20-£25 a year, to a Training College. Teachers possessing a Normal School Certificate were to receive an Augmentation Grant of £15-£30 a year. Special arrangements were made to enable teachers without a Certificate to sit for a Certificate Examination, which was to include a practical lesson in the presence of an inspector. The first faint beginnings of a superannuation system appear in the Minutes of 1846, and a further inducement to keenness was the award of a small annual "Merit Grant" to teachers, who, in the opinion of the inspector, were very zealous and successful.

Thus amidst almost heart-breaking indifference to education and factious hostility which would have broken down any lesser man long before, Kay-Shuttleworth had laid the foundations of our elementary school system. The inspectorate, he claimed with pride, was the key-stone of the edifice which was his lifework.

For nearly nine years he had conducted the work of the

¹ The remarkable story of how Kay and Tufnell founded the Battersea Training School in 1840, and how Kay lived and taught there until his marriage in 1842, with his mother and sister supervising the domestic side, is fully told in his *Life* by Frank Smith.

Committee with what would now be considered a ridiculously small staff, with no shorthand writers, typewriter, telephone or means of quick transport. His rank had been that of an Assistant Secretary, and his salary £1200 a year. His staff had grown from one to forty, yet in a letter to Lord Lansdowne, he wrote, "as the office is now organized, every gentleman employed in the Education Department is officially subordinate not to the Assistant Secretary of the Education Committee, but to the Clerk of the Council."

The intolerable strain brought about a sudden collapse at his desk, and although he recovered sufficiently to request promotion to the rank of full Secretary so that he might be relieved of routine, it soon became clear that the Palmerston government would not be averse to his retirement. His resignation was accepted and took effect at the end of 1849, at the age of forty-five, when he was given a baronetcy. Freed from the cares of office he was able to offer long and strenuous opposition to "payment by results," to see the inauguration of local authorities and schools maintained by them, and of compulsory attendance, and to play a prominent part in the formation of the "East Lancashire Union of Mechanics" and other Institutions," not to mention the writing of two novels, *Scarsdale* (1860) and *Ribblesdale* (1874). *The Extension of Inspection and the Beginning of Reaction* 1848-63

In 1863, the year in which the Revised Code came into operation, there were sixty inspectors, including twenty-four assistants, which means that their number had been more than quadrupled since the retirement of Kay-Shuttleworth. This was due to the ever-increasing number of inspected schools and the ever-widening duties of the inspector resulting from the Minutes of 1846, and further administrative changes in the years following. In 1851 Evening Schools and Ragged Schools were allowed to apply for grants and came under inspection; two years later schoolmasters' associations¹ were allowed to apply through an inspector for grants to aid the formation of teachers' libraries. By the Minute of 2nd April 1853, the principle of a capitation grant was applied to schools under inspection in agricultural districts and in towns of less than 5000 inhabitants. A similar proposal for large towns was rejected by the Commons,

¹ *Four Periods of Education*, p. 598.

and until 1856 these towns did not obtain the new grant.¹ This Minute involved a revolutionary change in the duties of inspectors, who now had to examine first, the registers, to see that each pupil had made the necessary 192 attendances per year, second, the accounts, to see that the voluntary subscriptions reached the required amount, and finally, the scholars themselves, three-quarters of whom had to pass a prescribed annual examination.

To deal with the increase of work, one full and five assistant inspectors were appointed. The conduct of Training College Examinations, and the award of an official "Scholar's Certificate" and the extension of the Capitation Grant to night schools in 1855, further increased their duties.

Thus, the Committee of Council was quietly establishing a system of State education with limited popular control, whilst in Parliament, any enlightened proposal for the extension of education was at once deluged in the flood of oratory let loose by the "religious difficulty." An enlightened bureaucracy under a statesmanlike Kay-Shuttleworth could, and did, achieve great progress, but under R. W. Lingen, his successor, signs soon began to appear that all was not happy in the Education Department.

In 1857 Parliament could no longer tolerate the spectacle of a Department whose actions it was so helpless to control, and the post of Vice-President to the Committee was created to represent the Education Department in Parliament. Thus arose the situation humorously described by H.M. Inspector Sneyd-Kynnersley,

"The Vice-President was not a first class minister, the President was not a first class educationist. Therefore, the Vice-President put on the steam, and the other put on the brake."²

The burning question as to whether State aid should be extended, and if so, whether local rates should be levied, and also

¹ Great efforts were made during these years to obtain grants for middle-class schools. In 1846 "My Lords" wrote to Bellairs (W. District) that they "absolutely and finally refuse to make any grant to middle schools for tradespeople on the ground that they dislike to send their children to the common elementary schools. They refer to King's Somborne School, Hants., as a fine example of the good social results for middle and lower class children attending the same school. [*Correspondence re Comm. of Council, M. of E. Library, p. 269.*]

² *H.M.I.*, p. 152.

the religious controversy led, in 1858, to the appointment of the Newcastle Commission. Pending its report, three years later, public opinion was in a state of continual excitement and apprehension. It was during this period that the domestic troubles of the Department came to a head.

Inspectors' Conferences

When C. B. Adderley became the first Vice-President in 1857 he found that the inspectors met annually in London to discuss freely any matters brought forward relating to education. Lord Lansdowne and Kay-Shuttleworth had set great value on these conferences, and had attended them regularly, always maintaining cordial relations with them. By 1857 it had become the practice to put any question—even if it involved a collective opinion on the Policy of the Committee—to a vote, and on at least one occasion Lord Granville as Chairman had to announce an adverse vote on his own policy. Both he and Adderley objected to this procedure on the ground that as Civil Servants, inspectors ought not to run the risk of condemning collectively the current policy of the office. This was laying down the doctrine which has ever since prevailed, that inspectors have no direct relation to Parliament, but are bound entirely by loyalty to their departmental chief. In 1859 these annual conferences were stopped by Robert Lowe, the new Vice-President, and from that time onwards in Lowe's period of office, the very men whose duty it was to have a thorough acquaintance with the working of the educational system throughout the country, were consulted neither collectively, nor, with one or two exceptions, individually, not even when great changes in policy such as the Revised Code, were contemplated.¹

Inspectors' Reports

Friction between the Office and the Inspectorate was already very great when in 1859 Lowe and Lingen decided to discontinue the publication of Inspectors' Reports in full, and merely to quote selected extracts from them to be printed in the Minutes. This immediately resulted in a "Grand Remonstrance" drawn up by W. H. Brookfield, H.M.I., and signed by nearly all H.M. Inspectors, and shortly afterwards the whole matter was debated

¹ This account has been gleaned from the evidence of witnesses before the Select Committee of 1865.

at great length in Parliament.¹ Mr. Cooper demanded unaltered reports, on the ground that they were the most widely read of all the Blue Books, and that a digest by the Department would tend to leave out unfavourable criticism of its policy. The Member for Hertfordshire, Puller, regretted that economy was to be practised first in regard to the most useful reports, "which were studied with so much interest by promoters of schools all over the country and which had conduced so much to that great improvement which had taken place in our National Education during the last ten years." Most of the inspectors were men who had already won their spurs in the fields of literature and science. If their united opinion should ever be opposed to the policy of the Department, their full opinions should be placed before Parliament. Palmerston also favoured full reports, and maintained that the Vice-President only showed the utter helplessness of his Department in controlling its own officials. Why not say to some of the inspectors, "Gentlemen, you are too good for us, you are above your work; you may set up as professors to some university, but you are no longer fit to be inspectors of schools under our direction?"

It is not difficult to read between the lines of this debate. The well-known views of Lowe and Lingen, and the significant absence of Kay-Shuttleworth from the Newcastle Commission, had aroused in Parliament a feeling of determination that inspectors should have perfect freedom to make public their reports and suggestions, at any rate until the appearance of the Commission's Report. No one in the House or the Department seems to have considered that an obvious way out of the difficulty of over-bulky reports was to create a few co-ordinating inspectors, each in charge of a large area. If these officers had been allowed to report fully and freely, basing their reports on those of the district inspectors and on their own observation, and if, further, they had been freely consulted by their Parliamentary chiefs, the whole problem could have been satisfactorily solved, and one of the chief defects of the Inspectorate remedied at the same time. Yet the paradoxical truth must be stated, that if this had been done at that time, it is very unlikely that men of the stamp of Arnold, Morell, or Brookfield would have been given

¹ Hansard. *Commons Debate* 22nd February 1859.

3. A written agreement, if there has been a meeting of minds as to the conditions of agreement resulting from collective bargaining.
4. Consideration of wages, hours, or other conditions of employment.

The Act does not stipulate what the resulting conditions of collective bargaining shall be. It does not impose upon the employer acceptance of the terms which the employees propose. But based upon the decisions of the Board, it seems to place as a final objective that the employer and his employees, or their representatives, shall *negotiate in good faith*. If there is an agreement on wages, hours, and conditions of employment, the Board has held that a written agreement is a part of collective bargaining, because a written document between two parties to an agreement is considered good business practice.

"Good faith," from the viewpoint of union officials, may be determined from the statement of principles of union-management relations as given by Golden and Ruttenberg.²³ The basic needs of the workers that must be considered in any bargaining are outlined by them as follows: ²⁴

The basic needs of the human beings who make up American industry's working force are threefold:

1. Economic—an adequate plan of living and the necessary amount of job and wage protection.
2. Psychological—the personality needs of freedom of action, self-expression and creative outlets.
3. Social—the ties and bonds of group relations and community life.

In negotiating and enforcing agreements, in a typical situation unions emphasize the following: ²⁵

In all bargaining, the union usually presents two kinds of demands—cardinal or essential demands, and bargaining demands on which they will agree to accept a compromise.

The shop chairman, who is elected by the workers in a shop from among their own number, is the members' most immediate point of contact with the union. It is the shop chairman's duty to collect dues, see that members attend meetings, foster friendly relationships, etc. He takes up with the employer all complaints submitted by the workers. Working closely with him is a shop committee, representing the various crafts in a shop.

²³ Clinton S. Golden and Harold J. Ruttenberg, *The Dynamics of Industrial Democracy*, New York, Harper & Bros., 1942, p. xxiii.

²⁴ *Ibid.*, p. 6.

²⁵ See International Ladies Garment Workers Union, *Handbook of Trade Union Methods*, 1937, as an example.

The next in line is the *business agent*, who has supervision over a number of shops. He is employed by the union and has more authority than the shop chairman since he is not dependent upon a job in the shop for his livelihood. He visits the shops at frequent intervals to adjust disputes and grievances.

There is usually a complaint department in the joint board of the union to which the shop chairman reports, and which then refers the complaint to the proper business agent.

The union believes that these foregoing principles and, in fact, collective bargaining itself will be weak unless they are backed by an organization strong enough to bargain equally with the employer. Therefore, the union's definition of collective bargaining would be the negotiation in good faith between the *union's* agents and the employer, of a written agreement on wages, hours, and conditions of employment. The only change in the definition is that the union believes that it is the only logical and best representative of the employees; that the company union is dominated or influenced by the employer; and that the employee under the company union does not have the power to force an employer to better terms.

The relationship with management should always be such that the employer has confidence in the word of the union representatives and respect for their knowledge about the industry. Often when a deadlock is reached in the negotiations, some third party may enter into the situation and try to settle the dispute either by mediation or by arbitration.

It is well to remember that, from the union's viewpoint, the maintaining of the organization of the union is of utmost importance. In signing a labor agreement it is often found that a compromise is better than holding out, which in some cases might tend to weaken the union organization.

The Written Labor Agreement and Its Enforcement.—The labor contract itself is a formal agreement between the union and the employer, covering rates of pay, hours, method and time of wage payments, adjustment of grievances, etc. The union strives to reach a written collectively bargained agreement on a businesslike basis similar to any other recognized business transaction. All definite, legal, and regular business transactions are usually carried on in writing; therefore, the union contends that it is only logical and businesslike to put labor contracts reached through collective bargaining in writing. A written collective agreement is the union's objective to prevent arguments and difficulties from occurring at a later time over what might have been said in a verbal agreement.

Thousands of union agreements are in force. Their contents may be judged from the subheadings of the written agreements based upon years of negotiation between two unions and their employers as follows:

1. The Uniform Labor Agreement between Weyerhaeuser Timber Company, Pulp Division, Longview, Washington, and the International Brotherhood of Paper Makers and International Brotherhood of Pulp Sulphite and Paper Mill Workers contains the following subjects: General Purpose of Agreement; Recognition; Mills Affected by Agreement; Term of Agreement and Modifications; Jurisdiction; Interruption of Work; Holidays; Wages; Hours of Work; Definitions; Days Off; Allowance for Failure to Provide Work; Call Time for Day Workers; Call Time for Tour Workers; Other Calls; Starting and Stopping Work of Tour Workers; Starting and Stopping Work of Day Workers; Causes for Immediate Discharge; Bulletin Boards; Safety; Adjustments of Complaints; Appeal from Discharge or Suspension; General Provisions Regarding Appeals.

2. The Appalachian Agreement between Operators' and Producers' Associations and the United Mine Workers of America contains: Maximum Hours and Working Time, Overtime, Holidays, Basic Tonnage Rate, Checkweighmen, Boys, Exemptions Under This Contract, Management of Mines, Mine Committee, Settlement of Disputes, Discharge Cases, Illegal Suspension of Work, Irregular Work, Preparation of Coal and Mining Practice, Safety Practice, Engineer and Pumpers' Duties, Shifts, Pay Day, Coke and Cleaning Plants, Miscellaneous Provisions.²⁶

Unions consider that exemplary labor contracts are those of the Ford Motor Company, the Weyerhaeuser Lumber Company, the Coal Operators' and Producers' Association, and others.

Labor contracts will vary according to the nature of the companies, the managements, and the unions. They will also depend on the spirit of the contract—whether it was negotiated “technically” or from a spirit of respect and good faith. Some managements have their lawyers negotiate and write contracts and hold to “technicalities” of wording or legality of the literal phrasing rather than a spirit of confidence. One employer, who has “contracted” with his union in good faith, considers the spirit of his labor contract similar to that of a “marriage contract.” Good faith is especially important in making a labor contract, as will be mentioned more fully later.

²⁶ For selected paragraphs and contracts, see *Collective Bargaining Contracts*, Bureau of National Affairs, Washington, D. C.; *Union Agreement Provisions*, U. S. Department of Labor, Bureau of Labor Statistics, Washington, D. C., Bulletin No. 686; *Report of Investigation of Collective Bargaining Agreements*, Bureau of Personnel Administration, New York, 1940 and 1941; for discussion of labor contracts see E. Lieberman, *The Collective Labor Agreement*, New York, Harper & Bros., 1939.

In starting negotiations of a new labor contract, the union may submit its draft of the contract first, after having taken up the requests with the members of the union. Then negotiations start and the management submits what changes it wants. Negotiations continue until agreement is reached.

Labor unions consider the labor contract as the statement of its final working arrangement between the management and the union. It is the constant reference point from which the spirit of good faith starts. Unions consider their labor contract supremely important.

John L. Lewis emphasized the importance of a labor agreement in 1943 when he said the miners would not "trespass" on the operators' property without a contract.

The Union or Closed Shop.—In addition to organization, recognition, and collective bargaining, unions also seek certain things which will aid in obtaining their demands. They usually want a *closed* or *union shop* to make it possible to strengthen their demands.

The signing of a union shop agreement with a checkoff provision by the Ford Motor Company in 1941 increased the demand for this type of labor agreement. The unions are highly desirous of solidifying their positions through closed shop provisions. Bargaining procedures must, of course, be governed largely by local circumstances. When demands were first made upon many companies for some form of closed or union shop, unions were told that there was absolutely no possibility of obtaining such a provision. In the heat of discussions about the closed shop between union and management bargaining groups when much is at stake, the parties may speak emotionally rather than rationally. As these demands were repeated, pros and cons of the closed shop were discussed at length; and an effort was made to preserve a friendly atmosphere around the bargaining table by informing union representatives that management was keeping an open mind on the question, but felt that the disadvantages outweighed the advantages. There are arguments for a closed shop, in spite of the points that might be advanced against it by some employers.

Since it is inevitable that collective bargaining agencies will present closed shop demands, a review of the variations and the reasons for the closed shop or union shop should be helpful. Whether or not any or all of the points in the following list can be used in bargaining will depend upon the labor situation at the time the bargaining takes place. They have been used already in meetings of bargaining committees of unions and managements in various industries. Unions contend that as the laws passed by the majority restrict individuals within those laws, so the union

or closed shop voted in secret ballot by the majority should bring the individual employee's actions within that majority rule.

Variations of the Closed Shop.—Variations in the degree of the closed or union shop exist today. Unions, especially the industrial type, prefer the term "union shop" or "preferential shop" to that of "closed shop." Some of these variations are the *preferential union shop*, the *union shop*, and the *closed shop*.

1. In a preferential union shop each new employee becomes a member of the union within a specified period; the collection of dues and the keeping of each employee in good standing is the responsibility of the union; old employees are free to join or not to join the union, or to keep in good standing at their own discretion. A sample clause of a contract of this type of preferential union shop is that of the A.B.C. Corporation, as follows:

In view of the fact that a substantial majority of all employees of the Corporation's plant are members of the Union, the Corporation agrees that it will not employ any new employees beyond a period of ninety (90) days from the date of hiring, unless they shall theretofore have become members of the Union; provided, however, that if at the end of said period the membership of any such new employee is being withheld by the Union pending consideration of the application of such employee for membership, the Corporation shall not discharge such employee until the Union has notified the Corporation that the application has been rejected. All new employees shall be advised of the foregoing arrangement at the time of their hiring.

2. In a maintenance of membership, shop employees who were members on a specified date must remain in good standing as a condition of employment, but old employees who have not joined the union can retain their jobs without belonging. New or old employees who join the union subsequent to the agreement must maintain good standing or lose their jobs.

A maintenance of membership clause was approved by the National Defense Mediation Board in the settlement of the North American Aviation Company case in 1941, as a compromise between the open and closed shop. Under this clause, the membership of the union remained as it was on a certain date and nonunion members were not required to join. An extract from the North American contract with reference to this follows:

Any present employee who on May 1, 1941 was a member of the union, or who has become a member of the union since May 1, 1941,

shall, as a condition of continued employment, maintain membership in good standing; and any employee who hereafter, during the life of this agreement, becomes a member, or is reinstated as a member of the union, shall, as a condition of continued employment, maintain membership in good standing.

The National War Labor Board, taking up the maintenance of membership shop as a pattern for its decision on April 20, 1942, requested the Federal Shipbuilding & Drydock Company to grant a maintenance of membership to its union. The unions of the International Harvester Company were given a maintenance of membership, subject to ratification by the union membership, similar to that of the Walker-Turner Company of Plainfield, New Jersey. The "Little Steel" decision and similar decisions by the War Labor Board set the pattern of the Board on this issue. By July 1, 1943 the Board handled 246 cases involving union security. Maintenance of membership²⁷ was directed in 85% of the cases involving this issue, and in 7% it was denied.

The War Labor Board contended that a maintenance of membership clause does not take away from the individual employee his freedom of choice to belong or not to belong to the union, as follows:

The maintenance of membership clause does not require any worker, at any time, to join the union. It does not require the company to employ only members of the union and is, therefore, not a closed shop. It does not require employees who have been hired by the company to join the union and is, therefore, not a union shop. It does not require the company to give preference in hiring to members of the union and is, therefore, not a preferential union shop. It does not require any old employee, any new employee, or any employee whatever to join the union at any time. . . .

The freedom of choice of the individual worker is protected against any coercion of a worker into membership in the union. In addition, the individual's right to work is safeguarded by a clause in the board's order. Under this clause a member of the union may withdraw from the union by not maintaining his good standing. In such case he must, as a condition of employment, continue to pay his financial obligations to the union for the duration of the contract, which has little more than a year to run. A member of a club has no more freedom and no lighter obligation. No member of the union need ever be discharged under this provision except by his own choice.

3. Under the union shop all employees must be members of the union in good standing as a condition of employment. The employer makes his

²⁷ Bryce M. Stewart and Walter J. Couper, *Maintenance of Union Membership*, New York, Industrial Relations Counselors, 1943.

own selection for hiring, but the new employee must join the union within a specified time. The union collects dues and each new employee, after the specified time, must be a member of the union.

As a variation of this union shop, the employer may collect the dues by a checkoff.

4. In a closed shop all employees must be union members and new employees are selected from the membership of the union (the union hiring hall), and the employer collects dues by the checkoff from the pay of the employees. An example of a closed shop is given in the following extract from the agreement between the Ford Company and the C.I.O.:

It is a continuing condition of employment with the Company that employees covered by this agreement, both present employees and new employees, shall be and remain good-standing members of the Union. Persons losing their membership in the Union shall not be retained in the employ of the Company.

Present employees who are not now members of the Union must become members within thirty (30) days from the date thereof.

Variations of the closed shop have been suggested. One of these is the Agency Plan,²⁸ under which all employees vote to check off dues to the union which acts as their agent in obtaining better wages, hours, and working conditions for them. The employees then do not have to belong to union, attend meetings, etc. They are free, except to pay the agency fee.

To considerable contention that under the closed shop the individual employee or the minority has no or but few rights, the union says that in our democracy the minority has to obey the laws which the majority pass; therefore, the minority should obey the rule or "law" of the union on the closed shop passed by the majority.

Arguments for²⁹ the Closed or Union Shop.—Many arguments still exist about the closed shop. In one company ten of the principal ones were prepared and discussed at length by many persons. They were then rewritten again and again for clarity and definiteness by those directly concerned. The resulting reasons for the closed shop are:

1. Establishes democratic government within the union. With union membership required as a condition of employment, attendance at union meetings can be made compulsory by levying fines for absence or by ruling that unexcused absence means loss of good standing in the union. Full attendance at union meetings means full participation in the control

²⁸ An example of the Agency Plan is that of the P. Lorillard Co. and the International Tobacco Workers Union (New York City).

²⁹ Arguments against the closed or union shop will be given in Chapter 3, the "Management of Personnel Relations."

of the union by all employees, thereby preventing an active minority from taking control into their own hands.

2. Eliminates petty grievances. When union membership is voluntary, a shop steward is obliged, in order to retain membership of an aggrieved employee, to attempt to obtain satisfaction from management for the employee even though the grievance is recognized by the steward as petty or unreasonable. With a closed shop, the steward could advise such an employee that his complaint was not of a nature to warrant his interceding with management. The employee would be forced to abide by the steward's decision because he could not drop out of the union and retain his job. Thus, the union, under closed shop operation, has the power to eliminate many grievances which, under open shop conditions, cause annoyance and waste time for supervision.

3. Ends frequent demands for concessions. When union membership is voluntary, the union is continually faced with the necessity of obtaining concessions from management in order to prove to the employees the value of their organization and to hold their membership. This necessity is eliminated when union membership is a requisite of employment.

4. Eliminates factional strife. When a single union is established, with all employees members, and the status of that union is assured, unity is obtained.

5. Improves discipline. Since all employees must be union members, and therefore answerable to union officers, the union can be held responsible for actions of employees.

6. Increases workers' interest in job and feeling of responsibility for job. With the status of the union assured and the need for organizers to solicit or retain members by criticizing management removed, the union can concentrate on cooperation with management for the best interests of both employees and company. The employees feel that they have a voice in determining working conditions, and this leads to a feeling of greater responsibility.

7. Eliminates radical control. Usually less than 10% of all employees are radicals, the rest being normally quiet-living, reasonable individuals. This 90%, however, is prone by its very nature to take little or no part in union organization or control, while the radical 10% is rapidly interested in such matters. As a result, with an open shop, the more conservative group, by taking no part, permits the radical group to comprise a majority of those attending meetings and thus control to a large extent the policies of the union. Under closed shop operation, the entire body of employees takes an active part, and the group of radicals is so small a minority as to have no influence.

8. Prevents the sharing of union-obtained benefits by nonunion employees. A source of annoyance to union members, and a cause of many hard feelings among employees is a feeling that nonmembers receive benefits in wages, hours, and working conditions without contributing to the support of the organization through which these benefits were obtained. The phrase "hitchhikers" is common in this connection. Closed shop eliminates such a condition.

9. Enables union to enforce agreements with management. Unions cannot control the actions of nonmembers. However, if all employees must be members as a condition of employment, the union can be held strictly responsible for the observance by all employees of every provision in agreements negotiated with the management.

10. Eliminates need for strikes. Since the status of the union is assured, and since the union is in a position to enforce its decisions upon minority groups, the bulk of the causes of strikes are eliminated and minor stoppages are prevented.

Whether or not a union can be entrusted with a closed shop, or some variation of it, depends upon the nature of the responsibility of the individual union under consideration. With such a large number of members, unions are fast approaching public organizations.

Responsibility of Labor Unions.—Although labor unions can be the instrumentality for a real democracy in the United States, they must assume the responsibility of democracy and be responsible organizations before they are entitled to ask for a closed, union, or maintenance of membership shop by answering the following questions correctly:

1. Is this labor union a democratic organization?
 - (a) Has this union a majority of the employees in this company as members and is it so recognized by the management?
 - (b) Are elections of all officers held annually by secret ballot and is the voting on principal issues of this union by secret ballot? Are the officers elected by a full majority of the members, not just of those present at one meeting?
 - (c) Are all labor contracts approved by the majority of the members by secret ballot?
 - (d) Is a strike called only by two-thirds of the members by secret ballot in normal times?
 - (e) Do many members (or just a few) attend the regular meeting of the union?
2. Are the finances of this union handled properly?
 - (a) Are receipts and expenditures audited by a certified public accountant, or equivalent, at least yearly?

- (b) Does this union publish audited accounts and give a published statement to the members (and a governmental agency, such as the War Labor Board or U. S. Department of Labor) at least yearly? (See financial reports of United Steel Workers, National Maritime Union, and United Automobile, Aircraft, and Agricultural Implement Workers as examples.)
- (c) Are initiation fees, dues, and assessments excessive?
- (d) Has this union made any political contributions without special voted authority from the members?
- 3. Has the history of collective bargaining by this union been good?
 - (a) Has this union broken any written agreements with its management? Has this union cooperated with an order or ruling of a governmental agency empowered to issue such an order or ruling?
 - (b) Has this union had any "wildcat" strikes unapproved by the international or national union to which it belongs?
 - (c) Have the officers of this union a good attitude and relationship with the management? (Are the officers of this union hostile to the management—anti-management? Have they published bulletins attacking personally any officers of the company or performed any unethical acts towards the officers?)
 - (d) Have all strikes been lawful and orderly within the law? Has any of the company's property been seized or damaged?
 - (e) Has this union carried on a sympathetic strike?
 - (f) Have any of the officers or members of the union been indicted or convicted of any unlawful acts which would make them unqualified for holding office or membership in the union? (If so, have they been adequately disciplined by the union?)
- 4. Has an individual employee who is a member of the union, or a minority group, the right ³⁰ of appeal from the decisions of the officers or the union itself?
 - (a) Does an individual member of the union have the right to a proper procedure of appeal on any decision of the union or its officers or representatives which have been made against that member (without jeopardizing his position or status in the union)?

³⁰ See Joel Seidman, *Union Rights and Union Duties*, New York, Harcourt, Brace & Co., 1943, for good discussion of union rights and responsibilities.

- (b) Has a minority group the right and procedure to appeal decisions by the union or officers?
 - (c) Has an employee the right to withdraw from the union by an established procedure of the union?
 - (d) Are members of the union suspended only by majority vote of the union?
- 5. Does the union maintain unrestricted voluntary membership?
 - (a) Does this union prevent anyone from working because he cannot be a member of the union within the rules and regulations as laid down by the constitution and bylaws?
 - (b) Has this union intimidated or coerced employees of this company into membership?
 - 6. Does this union have responsible leadership? Is it so recognized by the management of the company?
 - 7. Has this union encroached upon management's prerogatives?
 - 8. Has this union limited output?
 - 9. Has this union made outlandish demands upon the management?
 - 10. Has the union complied with the accepted rules and regulations of the international, national, or parent union?

If a union can answer these questions properly, then it is an instrumentality of real democracy.

In answer to suggestions of irresponsibility on the part of unions and to the contention that labor leaders are agitators, radicals, dictators, or "racketeers," unions retort that there have been some racketeers, dictators, and agitators in the labor movement; that although a small percentage, the small number is publicized greatly; that some managements want to hear such things as arguments against the unions and disregard the activities of responsible unions.

Labor also believes that some managements are profiteers, grafters, or "racketeers"; and such cases as Whitney, Insull, Musica, and others are sufficient to give some basis for those beliefs. Also, managements have used spies⁸¹ and other anti-union methods to a sufficient extent to cause such a belief on the part of unions.

Replying to the contention that labor unions are not responsible, are undemocratic, and cannot be held to their labor contracts, it may be said that if the employer himself is responsible, democratic, and stands by his contract and is not anti-union, the unions will usually meet him halfway. The unions contend that they have to "fight fire with fire."

⁸¹ See the LaFollette Senate Committee's report on the use of spies by managements.

One of the greatest tasks of many unions is to make themselves responsible. If all, or practically all, unions were truly responsible and had good leadership, most of the objections by employers would vanish. The statement that unions cannot be held to contracts is not strictly true, because if a union damages a company or its property, it can be sued.

As more union members are becoming better educated in public schools, they should be more aware of their responsibilities and want to abide by their contracts more than they did formerly.

To the contention that labor unions encroach upon management's prerogatives or jurisdictions by wanting to manage, experience does not bear this out as most unions do not want to manage but serve as a "check and balance" on management, to assure that it will consider adequately those things of concern to unions.

Management sometimes is the victim of jurisdictional disputes between unions. Management, of course, has its own jurisdictional disputes as to whether this or that department shall do this or that work: for example, whether the personnel department or the manufacturing department should have the responsibility for a certain function. Likewise, governmental departments dispute with each other over jurisdiction.

Such jurisdictional disputes in organization are perhaps not quite parallel with the conditions that may occur when two unions are both trying to organize a company; but they serve to indicate that jurisdictional questions are not new. Inter-union struggles within a business must simply be accepted as an unfortunate by-product of the growth of unionism.

Seniority.—Closely related to union security is individual security within the company and the union. The union controls this by seniority—length of service with the company or department. An employee's efficiency, when he is working, is greater if he is relieved of the constant worry over the possibility of losing his job. As a person becomes older, he may not be as efficient as a younger person. Nevertheless, unions believe that seniority is better in the long run as it may prevent unwarranted personal favoritism to some employees. The application of seniority is most frequent with reference to layoffs and rehiring, but it is also concerned with promotions and transfers. Seniority may be by length of service in occupations, departments, divisions, plants, companies, or corporations. Unions endeavor to obtain the widest seniority in order to give the greatest protection to their employees. They want definite rules on how seniority is lost, such as resignation, discharge, extended layoff, and absence without reason; the recredit of seniority upon being rehired and preferential seniority to union officials and others.

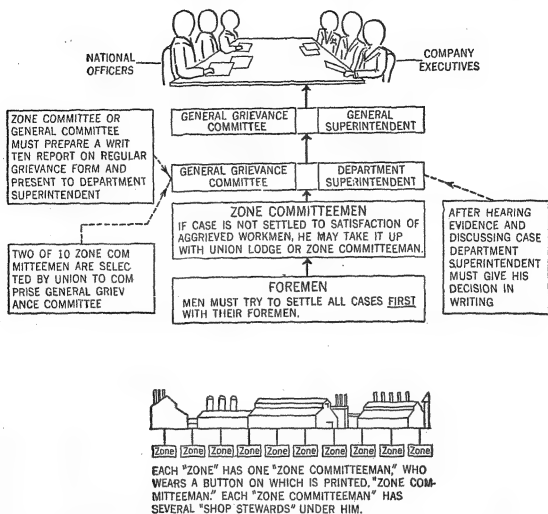


Figure 2. Orderly Procedure in Adjusting Plant Grievances
(United Steel Workers, etc.)

Usually after a period of from two weeks to one year of employment, an employee begins to accumulate seniority, and his name is added to the seniority list which is posted or given to the union. He then maintains that seniority until it is changed.

Management usually desires to base the promotion and layoff of employees upon merit and ability. Many unions will agree that this is one of the fundamental opportunities in our American democracy. Because in some companies many promotions, retentions, and layoffs have been based on personal favoritism and family relationship, many employees feel that nepotism is too frequently the basis for promotions and retentions. Hence, the unions consider seniority the fairest in the long run and, of course, it is easy to administer since an employee's length of service usually is known exactly.

Handling Grievances.—One of the most effective ways for a union to begin organizing the employees of a company is to learn those em-

ployees' grievances which have not been settled or have not been settled adequately. By working out some plan for the solution of these grievances which is satisfactory to the employees, the union may obtain their backing and support for the organization of a local in that company. Conversely, management in the past has not always realized the importance of having a well-formulated plan for handling grievances. A clearly defined grievance procedure is of value to both labor and management.

The negotiation advances with each step in the procedure from the worker to a person with higher authority and broader outlook. More recent procedures include five or more steps. These procedures are not rigid; there are variations according to the requirements of the specific situations. Figure 2 shows the grievance procedure of the United Steel Workers. Other examples of the newer grievance procedures follow:³²

UNITED AUTOMOBILE WORKERS, C.I.O.

- | | |
|---|--|
| 1. Worker | 1. Foreman of department |
| 2. Representative of local shop committee | 2. Foreman of department |
| 3. Representative of local shop committee | 3. Superintendent of department |
| 4. Local union shop committee | 4. Labor relations supervisor of plant |
| 5. Local union shop committee | 5. Superintendent of plant |
| 6. Officer(s) of local union | 6. Superintendent of plant |
| 7. Officer(s) of international union | 7. Director of industrial relations of corporation |

NATIONAL MARITIME UNION

- | | |
|--|---|
| 1. Worker | 1. Immediate superior |
| 2. Spokesman of ship delegate | 2. Immediate superior |
| 3. Ship delegate | 3. Head of department |
| 4. Ship delegate(s) | 4. Master of ship |
| 5. Representative of national union | 5. Representative of top corporation management |
| 6. Representative(s) of national union on port committee | 6. Representatives of corporation on port committee |
| 7. Impartial chairman (<i>ad hoc</i>) | |

The Checkoff of Union Dues.—The collection of dues each month or periodically from members is a difficult job for unions. Since many labor contracts forbid the collection of dues during working hours because it

³² Frank C. Pierson, *Collective Bargaining Systems*, Washington, American Council on Public Affairs, 1942, p. 16. Also see United States Department of Labor's Bulletin No. 60, *Settling Plant Grievances*, Division of Labor Standards, 1943, for good examples.

interferes with production, the union steward or agent must see each employee personally at his home or elsewhere outside of working hours. Such a hit-and-miss method for dues collection takes much time and effort on the part of the union's agent. Because of this, many unions favor having the dues of each member checked off by the employer from the employee's pay.

The arguments for granting the checkoff may be summarized as follows:

1. It saves confusion and the shop steward's time in collecting dues as well as the time and effort of the employee.
2. The company knows the status of the union at all times, the number of members having their dues checked off, etc.
3. The checkoff can be voluntary on the part of the employee. He signs an affidavit voluntarily asking the company to check off his dues.
4. By settling this question of checkoff the union can go to other problems of production, grievances, etc.
5. It will leave more time for the stewards to encourage more production and handle grievances more promptly.
6. During the war, companies had a good chance of obtaining the checkoff from the National War Labor Board if put in their hands by the union. The possibility of being given the voluntary checkoff by the Board was about 26 chances to 3, based upon this number of cases on this issue between September, 1942 through February, 1943. It was the pattern of the Board to grant the checkoff.
7. With just a voluntary checkoff, a company does not have to fire a man because of nonpayment of dues. An employee belongs or does not belong to the union as he chooses, and he checks off his dues or not according to his own desire. In other words, the employee can be left his freedom of choice with reference to the union and the checkoff.
8. Many companies are already checking off from the pay of employees for insurance, credit union, social security and other tax, community fund, etc.

For these reasons many companies have come to favor the voluntary checkoff.

Vacations.—Vacations with pay help to restore the energies of workers through rest, relaxation, and change. Proper vacations should increase production during the time worked. Even though this is true,

vacations for wage-earners are relatively new. The National Industrial Conference Board found that 17.9% of the companies in 1935 and 46.4% in 1940 gave vacations to wage-earners. "All work and no play makes Jack a dull boy" has not lost its significance.

In answer to the management plea of increased cost of vacations, holidays, etc., the union contends that the company can save enough by improvement in methods and equipment to save the cost, and that it can help show management how to do it if the latter is, or would be, willing to cooperate with and have confidence in the union.

During World War II, a pattern of one week's vacation for wage-earners with one to five years of service and two weeks for those with over five years of service was established by the National War Labor Board.

The Bureau of Labor Statistics found that 60% of the organized workers were covered by a policy which provided a vacation in 1943.

Strikes.—Strikes, work stoppages to obtain more wages, better hours and working conditions, occur in times of peace as well as war. Labor unions prefer to accomplish their demands by peaceful collective bargaining of a democratic organization. However, if they cannot obtain their just demands because of unequal bargaining power, they may resort to more forceful means such as the use of the union label, boycott, picketing, and strike.

The purpose of the strike is to accomplish the union's objectives by influencing the employer to grant the union's demands, by assisting the union in its organization, or by influencing the public or the government into causing the employer to grant the union's demands. The strike is a strategy of the union to promote its own interest.

Although the unions voluntarily made pledges not to strike in the interest of victory during World War II, the right to strike is normally very important to the labor union movement. Many strikes have occurred in the past. In 1937 there were 4,740 strikes involving over 28,000,000 man-days of idleness, which is the greatest number of strikes and man-days of idleness because of strikes for any year for which records are available. In 1930 there were only 637 strikes with 3,316,000 man-days of idleness. The trend of the number of strikes, workers involved, and man-days of idleness is shown in Figure 3 and Table 1.

One of the earliest strikes in this country was in 1776 in New York City when the printers "turned out" and forced the employers to grant a wage increase. The carpenters conducted a losing strike for a ten-hour day in 1791. The textile operatives in Paterson, New Jersey, struck in 1828, probably the first factory strike. From 1830 to 1870 numerous

strikes occurred for the ten-hour day. A strong revival of the national labor unions in 1870 revived both offensive and defensive strikes.

In the days of the Molly Maguires,³³ anthracite miners were constantly striking against wage reductions, but 1877 was the year of the more general strike. Reductions in wages, irregularity of employment, delay in payment of wages, and other reasons resulted in practically a general railroad strike marked by considerable violence, which finally resulted in little gains, if any, to the worker.

In the depression of 1884-85 a nation-wide wave of strikes occurred, which was due partly to the policy of the Knights of Labor to call out workers in one plant to aid the strikes in another and to encourage a mass movement for the eight-hour day. Recognition of the union came more into prominence as an issue in the anthracite strike in 1900. Between 1900 and World War I, there were a number of serious strikes such as the Colorado Cripple Creek strike in 1903-04, the clothing workers of Chicago in 1910 and the Central West Railroad strikes of 1911, and the West Virginia Coal Field strikes for recognition.

After the depression of 1914, with a decrease in strikes, came World War I and with it the numerous strikes in 1919 which involved the largest number of workers ever to go on strike in any one year. The cost of living rose faster than wages. This caused many disputes in industry with the largest number occurring in the steel and coal industries. Though primarily for recognition, the demand for an eight-hour day was important. This resulted in the appointment by President Wilson of labor boards—the Railroad Labor Board and the War Labor Board—which alleviated the tense labor situation during the war. With the return of soldiers to their former jobs, there was a period of relatively few strikes from 1924 to 1932, except in a number of industries such as the general textile strike in January, 1922, the bituminous coal strike in that same year, and the strikes of the independent unions such as the Amalgamated Clothing Workers and the National Miners' Unions.

The depression beginning in 1929 caused a decline in strikes until 1933. At that time the National Industrial Recovery Act gave labor the legal right to organize and bargain collectively, and increased government support to unions striking for recognition, as well as for higher wages, and shorter hours. In 1933 the clothing and mining industries carried on the largest strikes. Many of the demands of unions were made that year because of returning prosperity. In 1934 the longshoremen's sympathetic strike in San Francisco and the textile strike occurred primarily over

³³ J. Walter Coleman. *The Molly Maguire Riots*, Richmond, Va., Richmond-Garrett & Massie, 1936.

1935-39 = 100

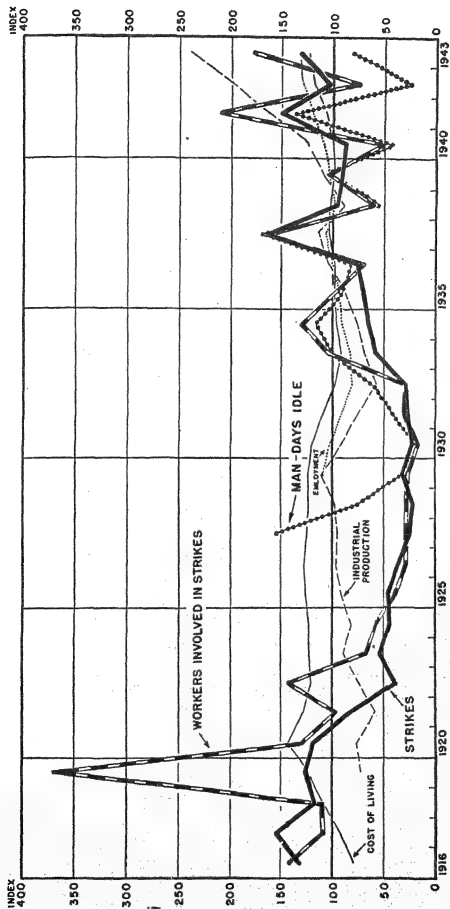


Figure 3. Trend of Strikes, 1916-43
 (*Monthly Labor Review*, May, 1944, p. 928.)

recognition. The strikes in the automotive industry entered a more or less new field of objectives—primarily the elimination of the representation plans.

Labor became very active in 1937 because of the rights granted under the National Labor Relations Act. The great automobile, steel, rubber,

TABLE 1. STRIKES IN THE UNITED STATES, 1916-43

Year	Number of strikes	Workers involved in strikes		Man-days idle		Index of (1935-39=100)—		
		Number ¹	Percent of total employed ²	Number	Percent of available working time ³	Strikes	Workers involved	Man-days idle
1916 ¹	3,789	1,569,017	8.4	(9)	(9)	132	142	(9)
1917	4,450	1,227,254	6.3	(9)	(9)	155	109	(9)
1918	3,353	1,239,989	6.2	(9)	(9)	117	110	(9)
1919	3,630	4,160,348	20.8	(9)	(9)	127	370	(9)
1920	3,411	1,463,054	7.2	(9)	(9)	119	130	(9)
1921	2,395	1,099,247	6.4	(9)	(9)	83	96	(9)
1922	1,112	1,612,592	8.7	(9)	(9)	39	143	(9)
1923	1,553	756,584	3.5	(9)	(9)	54	67	(9)
1924	1,249	654,641	3.1	(9)	(9)	44	58	(9)
1925	1,301	428,416	2.0	(9)	(9)	45	38	(9)
1926	1,035	329,592	1.5	(9)	(9)	36	29	(9)
1927	707	329,939	1.4	26,216,628	0.37	25	29	155
1928	604	314,210	1.3	12,631,863	.17	21	28	75
1929	621	288,672	1.2	5,351,540	.07	32	26	32
1930	637	182,975	.8	3,316,898	.05	22	16	20
1931	810	341,817	1.5	3,593,244	.11	23	30	41
1932	841	324,210	1.3	16,922,033	.23	29	29	42
1933	1,695	1,168,272	6.3	16,872,128	.38	59	104	100
1934	1,856	1,466,695	7.2	19,591,949	.33	65	130	116
1935	2,014	1,117,213	5.2	15,456,337	.29	70	99	91
1936	2,172	788,648	3.1	13,901,956	.21	78	70	82
1937	4,740	1,690,621	7.2	28,424,867	.43	166	185	168
1938	2,772	688,376	2.8	9,148,273	.15	97	61	54
1939	2,613	1,170,962	4.7	17,812,210	.28	91	104	105
1940	2,508	576,988	2.3	6,700,872	.10	88	51	40
1941	4,288	2,362,620	8.4	23,047,556	.32	150	210	135
1942	2,968	339,961	2.8	4,182,557	.05	104	75	25
1943	3,752	1,981,279	6.9	13,500,529	.15	131	176	80

¹ The number of workers involved in some strikes which occurred between 1916 and 1926 is not known. However, the missing information is for the smaller disputes and it is believed that the totals here given are fairly accurate.

² "Total employed workers" as used here includes all workers except those in occupations and professions where strikes rarely if ever occur. In general, the term "total employed workers" includes all employees except the following groups: Government workers, agricultural wage earners on farms employing less than 6 workers, managerial and supervisory employees, and certain groups which because of the nature of their work cannot or do not strike (such as college professors, clergymen, and domestic servants). Self-employed and unemployed persons are, of course, excluded.

³ "Available working time" was estimated for purposes of this table by multiplying the average number of employed workers each year by the number of days worked by most employees during the year.

⁴ Not available.

(Monthly Labor Review, May, 1944, p. 929.)

and other strikes occurred in that year. With World War II came the work stoppages as shown in Figure 3 and Table 1.³⁴

An analysis of the strike figures of 1942 as reported by the Bureau of Labor Statistics showed that approximately 70% of the strikes were

³⁴ For a review of the strikes in the United States, see Florence Peterson, "The Review of Strikes in the United States," *Monthly Labor Review*, Washington, D. C., U. S. Bureau of Labor Statistics, May, 1938, p. 1047.

caused by disputes over wages and hours, whereas the predominant cause of strikes in 1941 had been union organizational questions. The number of strikes in 1942 declined 31% from the previous year. Governmental agencies assisted with the settlement of 62% of all strikes in 1942. The greatest number of man-days of idleness occurred in the mining, textile mill products, wholesale and retail trade, iron and steel, and leather products industries.³⁵

In 1943 the predominant strikes occurred in the mining industry over the renewal of the contracts and contract disputes between the United Mine Workers and the operators for wage increases when wages were stabilized by the government. Mr. Lewis said that the miners would not "trespass" on the mine properties without a contract. A series of strikes occurred during 1943 in the mines to the extent that the Secretary of the Interior (Harold Ickes) said that there had been a production loss of 40,000,000 tons of coal due to these work stoppages when coal was greatly needed for war purposes. However, Mr. Ickes said that coal production increased by the end of 1943.³⁶ The mine strikes were followed by a brief steel strike in December, 1943, and a threat of strike by the Railroad Unions.

For the year 1943, the total number of strikes was 3,750 involving 1,900,000 workers and 13,500,300 man-days idle.

Considerable discussion centers around the economic losses to our economic system caused by strikes. First, the workers are willing to lose their wages during a strike for the results to be gained in increased wages and improved organization, hours, and other conditions. Then comes the manufacturers' loss of manufacturing daily overhead, cost of idle material, value of orders tied up, and the cost to the distribution system outside of manufacturing.

G. R. Stahl³⁷ estimated that the average wage loss per man-day of strike was \$3.93; that the manufacturer's overhead loss amounted to \$5.85; and the amount of materials tied up by the strike had a value of \$13.82—a total primary loss of \$23.61, representing the value of orders tied up each man-day of strike. Besides this, he estimates a figure of \$35.41 additional expense to the distribution system added to the value of the orders tied up, which

... indicates that the total loss to the national economy of the circulating power of the dollar equals \$59.02 for each man-day of strikes, or about 15 times the wages actually lost by the striker. On the basis

³⁵ Labor Relations Reporter, Washington, D. C., Bureau of National Affairs, June 14, 1943, p. 557.

³⁶ *New York Times*, December 5, 1943.

³⁷ Taken from Report of Committee on Finance, *Survey of Experience in Profit Sharing*, Washington, D. C., Government Printing Office, 1939, p. 42.

of this formula, the strikers' wage loss of \$140,000,000 in 1937 multiplies itself into a total loss to the national economy system amounting to more than \$2,000,000,000.³⁸

The costs of the strike to a company may be great. That of the Chrysler Corporation in 1939 was reported to have cost about \$24,000,000.³⁹

Little has been mentioned of the gains to workers from the strikes. If a worker is off work for ten days on strike, he would lose ten days' pay from the company. But if he received a 5% increase in wages, he would make up the loss in 200 days, or about six months and three weeks. Then he would have the increase from then on. The psychological gains are also considered by the unions of value to the workers. However, some union leaders declared themselves against "wildcat" strikes, and that some unions might be willing to abandon the strike in peace times in return for guarantees of basic union security.⁴⁰

Types of Strikes.—There are several types of strikes such as the walkout, the "sitdown" and the slowdown strike. In the walkout strike, the employees cease work as a group and leave their jobs and the plant. In the "sitdown" strike, the employees quit work and "sit down" or stay at their jobs without doing the necessary work.⁴¹ In the slowdown strike the employees as a group continue on their jobs but slow down the pace at which they are working and do not produce as much as set or demanded by the employer. The walkout strike has been most common throughout the last century.

The walkout is considered by many unions to have the following advantages:

1. As the employees have ceased work and walked out, they do not possess the property of the employer.
2. An injunction on the basis of property right cannot be as easily obtained in the walkout as in the sitdown.
3. The strikers are available for picketing and to promote the union organization. From the point of view of the union, disadvantages of the walkout may be that the employer, having complete possession of his plant, machinery, etc., can operate it with strike breakers, or lock up his plant and discontinue

³⁸ *Ibid.*, p. 43.

³⁹ *New York Times*, November 5, 1939, p. 2.

⁴⁰ R. J. Thomas, President of United Automobile Workers, C.I.O., on "wildcat" strikes (*New York Times*, June 4, 1944), and Harry Bridges, Longshoremen's Union, C.I.O., with reference to giving up striking for union security.

⁴¹ In mid-1944, there began the "sit-in," where employees stayed in their plants to show their willingness to work, after the government canceled war contracts, such as at the Brewster Aeronautical Corporation.

operation until the union gives in to his demands or abandons its own.

In the "sitdown" strike, the employees occupy or take possession of the property of the employer. This the Supreme Court declared unlawful on the basis of property rights—that the employees are possessing the property of the employer illegally. When the workers remain at their jobs, they are not available for picket duty outside of the plant. From the standpoint of the union, the advantages are that it promotes solidarity among the employees who remain; it prevents the employer from bringing in strike breakers and it preserves for the worker the right to his job which some union leaders contend has priority over property rights.

The "slowdown" is more subtle in its nature. Work continues, but at a slower pace. The employees are at work, doing their jobs but at a slower pace. The slowdown has been used more in the mass-production industries where the management has set up a production standard on a production line or conveyor belt on which so many parts are to be completed as the line or conveyor moves. In one automobile plant the workers agreed to let one out of every seven pieces go by without working upon it. It went off the conveyor line unfinished. An adjustment by agreement as to the speed is usually made between the union and the employers to settle the dispute.

Besides the strike, the boycott and union label are other means unions have of obtaining their objectives. The boycott is a refusal of workers to buy from or sell to an employer in order to accomplish its demands. It usually takes the form of refusing to buy and encouraging union members not to buy products from the employer of whom demands are being made. The union may even encourage other companies not to purchase from the company being boycotted. In the past, "black lists" of companies considered unfair to organized labor have been prepared and given to union members with the encouragement that they do not buy goods manufactured by those companies. Union labels, being trade marks of the unions, are another means of encouraging buying of union-made goods and discouraging the purchase of goods not made by union labor. The union emphasizes the importance of the union label to all purchasers. It guarantees that the product with a union label has been made under conditions favorable to labor, under certain standards of efficiency and not in the "sweat shops." The unions contend that the product with the union label is made better than the nonunion product.

Another means used by unions to accomplish their purposes is picketing after a strike is in effect. Pickets are a limited group of workers or a mass of employees or outsiders who march in front of or around the

employer's establishment either displaying signs denouncing the employer as being unfair to organized labor or preventing strike breakers from entering the plant. If it is limited picketing, one or a few members are selected to carry "unfair" signs. If it is mass picketing, a mass or group of workers may form a continuous line around the plant to prevent entrance to the plant or strike breaking. The unions use all of these means to accomplish their objectives.⁴²

Strikes in a Democracy.—Up until World War II, the government has defended the right to strike. Abraham Lincoln said, "I thank God we have a system of labor where there can be a strike."

Section 13 of the National Labor Relations Act states:

Nothing in this Act shall be construed so as to interfere with or impede or diminish in any way the right to strike.

However, in the interest of speeding up war production, the Senate and House passed the Smith-Connally Anti-Strike Bill in June, 1943, to prevent strikes. But the law was laxly enforced and the Government seized struck plants rather than proceed against the unions.

Arbitration.—When the grievance procedure fails, a union may resort to strikes or to arbitration in order to settle its complaints or to obtain its demands. Since the unions gave up their right to strike during World War II, they resorted to arbitration by the procedure set up in labor contracts with their managements or took their demands to the governmental agencies for settlement.

Arbitration is usually the final step in the grievance procedure; the union gives up its right to strike for arbitration and the company agrees not to "lock out" employees in order to have an uninterrupted flow of work. When the parties to a dispute reach an impasse, the usual procedure for settling that dispute is as follows: Each of the disputants selects one person, and the two persons selected choose a third person. These three will hear all sides of the problem, obtain the facts and settle the dispute based upon those facts. Usually the parties agree to abide by the decision of the arbitration panel before arbitration begins. Sometimes the two parties to the dispute simply select a third party to arbitrate the case.

The foremost agencies of the government for the settlement of labor difficulties have been the Conciliation Service of the Department of Labor, the National Labor Relations Board, and the National War Labor Board.

⁴² For methodology in strikes as recommended by the International Ladies' Garment Workers' Union, see its *Handbook of Labor Union Methods*, New York, 1937.

The American Arbitration Association has had some experience with the arbitration of disputes and has established certain principles of arbitration. Established in 1926 under a New York State Membership Corporation Charter, the American Arbitration Association's entire resources are devoted to advancing the knowledge and use of arbitration in the interests of the United States; the maintenance and operation of tribunals for the settlement or control of economic disputes; the study of arbitration and publication of findings in books, journals, reports; and the coordination of arbitration facilities and education through a central information system which has 300 trade associations as channels of communication.

The services of the Association include industrial arbitration. The Industrial Arbitration Tribunal was organized in 1937. This Tribunal serves not only for the actual settlement of disputes, but also as an experimental laboratory for testing principles and standards for industrial arbitration. The Tribunal also provides for the appointment of fact-finders and impartial chairmen whose function it is to adjust grievances or claims or disputes that may not be arbitrable under arbitration laws or where a formal arbitration award is not sought by the parties.

The American Arbitration Association has drawn up a number of arbitration clauses for insertion in labor contracts. This is a technique intended to forestall any future labor disputes or controversies. By agreeing beforehand to accept and abide by decisions of the Association's arbitrators, both the employer and employee are assured of a fair and expert judgment, a quick settlement, less sentiment and bad feelings, and a minimum of publicity.

The following is the standard arbitration clause recommended by the American Arbitration Association for inclusion in labor contracts:

Any dispute, claim, question or difference arising out of or relating to this agreement, or its renewal or the negotiation of a new contract, shall be submitted to arbitration upon the initiative of either party to this agreement, upon notice to the other party under the Industrial Arbitration Rules, then obtaining, of the American Arbitration Association, and the parties agree to abide by and perform the award.

In addition to arbitration organizations, there are many private arbitrators who, by their fairness, have won the right and privilege to arbitrate disputes between labor and managements.

Other Union Objectives.—Some of the other objectives and practices which labor unions want and want to discuss with their managements and come to some agreement on are:

1. Just discharge of employees and a method of appeal from a discharge which is not satisfactorily done by the management.
2. Safety and healthful working conditions.
3. Adequate apprenticeship system and restriction of workers who do not meet the union's qualification to carry on the trade or work.
4. Prevention of unemployment and technological displacements.
5. Union-management cooperation.
6. Other conditions of employment.

International Labor Organization

Labor is interested not only in national welfare but also in the labor movement of the world, as exemplified by the International Labor Organization. This organization was started in 1919 for collaboration between nations to standardize further international labor laws and practices and to achieve worldwide economic and social security. The tripartite character of its representation is important as its delegates come from independent labor and employer associations as well as from governments. This serves to keep a balance between economic and social factors as well as between national and international considerations.

Since its inception, the I.L.O. has done much to improve labor standards and conditions throughout the world. During the 1920's the organization sponsored shortening the hours of labor, protecting women and children in agriculture and industry, labor legislation for merchants and seamen, safety in mines and factories, etc. The decade of the 1930's saw the organization advocating unemployment and old age insurance, international public works to stabilize employment, national policies on migration of workers, opening of channels of world trade, and other farsighted considerations such as planning as early as 1939 the return to peacetime production at the close of World War II.

The organization has a number of special committees to study particular problems. These are concerned with labor inspection, industrial diseases, etc. It has established a clearing house for information on labor and social questions. This includes the translation of labor laws, issuance of publications covering social and economic problems, supply of information to external inquiries, and supplying the services of experts to governments to assist in preparing or improving social legislation.

The value of the I.L.O.'s programs lies in the fact that they are not the arbitrary results of theory, but the product of laborious research, comparison, and discussion. The work of the I.L.O. is based on research, for which the organization is particularly well adapted. The difficulty

of having controlled experiments is the big obstacle in the field of social science. However, the I.L.O. has the best tool possible for this field: the method of international comparison. The organization has done much to standardize labor statistics and improve their comparability. Then, too, there usually is a wide gap between theory and action in most social research, but the I.L.O. is in a position to bring its findings and conclusions to those who are interested and capable of acting on them.⁴³

In 1944 the I.L.O. gave its social aims for world peace settlement as follows:⁴⁴

1. Opportunity for useful and regular employment to all persons who want work, at fair wages or returns and under reasonable conditions, with provision for protection of health and against injury in all occupations.
2. Raising standards of living to provide adequate nutrition, housing, medical care, and education.
3. Establishment of minimum standards of employment to prevent exploitation of workers, whether employed or self-employed, whose opportunities for high wage employment are limited.
4. Provision for child welfare.
5. Provision for a regular flow of income to all those whose employment is interrupted by sickness or injury, by old age, or by lack of employment opportunity.
6. The effective recognition of the right of freedom of association and of collective bargaining.
7. Provision of facilities for training and transfer of labor.

The representatives at the Philadelphia conference agreed to exchange information on (1) employment, wages, and conditions of work; (2) standards of living and the distribution of income, with particular reference to wage and salaried workers; (3) technical education and training for employment; (4) industrial health, safety, and welfare; (5) industrial relations; (6) social security; and (7) administration of labor and social security legislation.

The I.L.O. gives promise of playing a large part in the postwar world labor movement.

⁴³ For further information on the I.L.O., refer to John G. Winant, *The Twentieth Year of the International Labour Organization—1919–1939—Prospect—Retrospect*, presented to the Twenty-fifth session of the International Labour Conference, Geneva, June, 1939. Also Carter Goodrich, "Program of the International Labor Organization," *Monthly Labor Review*, Vol. 54, No. 2, February, 1942.

⁴⁴ *New York Times*, May 13, 1944.

PART II

MANAGEMENT OF PERSONNEL RELATIONS

CHAPTER 3

MANAGEMENT OF PERSONNEL RELATIONS

Management wants freedom of enterprise¹ to produce goods and services at a profit. If profits are not made, companies may go out of business, with great loss to all—the stockholders, managers, workers, and the government.

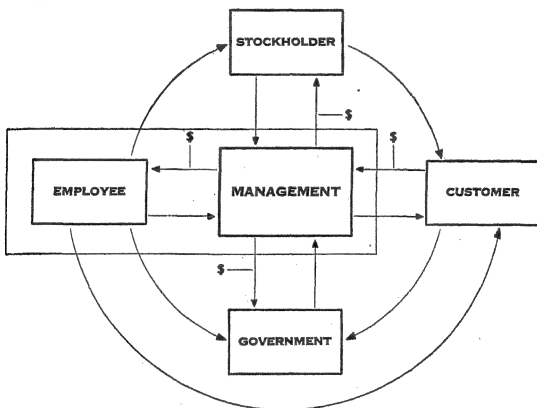


Figure 4. Management's Place in Industry

Management expects to make profits through proper organization of its personnel. It promotes personnel relations through that organization by means of modern professional principles and practices of personnel relations.

Management is the liaison among all parties to the personnel enterprise because it has relationships with those various parties to industry:

¹ For a statement of freedom of enterprise, see Edgar M. Queeny, *The Spirit of Enterprise*, New York, Charles Scribner's Sons, 1943; and Eric Johnston, *America Unlimited*, New York, Doubleday, Doran & Co., Inc., 1944.

the employees, stockholders, customers, the government, and the public. Servel, Inc. has described to its foremen and superintendents the position of management in industry as shown in Figure 4.²

Management is surrounded by the employee, stockholder, customer, and government. The close relationship between management and the employee is indicated by the rectangle enclosing them. Between each of the four and management there is a double relationship of give and take. The employee gives his services and receives wages or salary from the management. The stockholder supplies the money or working capital and receives dividends from the management. The government is the source of certain services and benefits for which it receives taxes from the management. The customer provides a cash income and receives a product from the management. Successful operation of a company is dependent upon all of these groups.

Organization of Personnel Relations

In earlier years the employee and employer worked side by side. As industry became larger, the close, friendly relationships between employer and employee lessened, and the gap between management and labor grew. This continued to the extent that those old relationships existed less and less, and misunderstandings grew until difficulties ensued. Management found it necessary to set up an organization and a personnel relations program which would bring back those old relationships. This has been especially true in the last few years as the younger generation of workers are becoming more and more educated and better able to think for themselves and, at the same time, to see the misgivings of managements.

The management³ of a typical manufacturing establishment today deals with methods, men, material, machinery, money, manufacturing, and marketing. The management of men—personnel relations—involves the application of the scientific method to the human problems—the collecting of facts, classifying them around the problem, and basing the solution upon those facts and the good judgment and imagination of those concerned.

The organization chart of a typical large manufacturing establishment, Figure 5, shows the various functions of management. The management of men, or personnel relations division, is shown in the second column of functions on the same level with other principal management

² H. W. Fillmore, Educational Director, Servel, Inc., Evansville, Ind., *Industrial Economics*, 1938-1939 Conference Series, p. 2.

³ See the author's book *Modern Management*, New York, John Wiley & Sons, Inc., 1937, for fuller discussion of management.

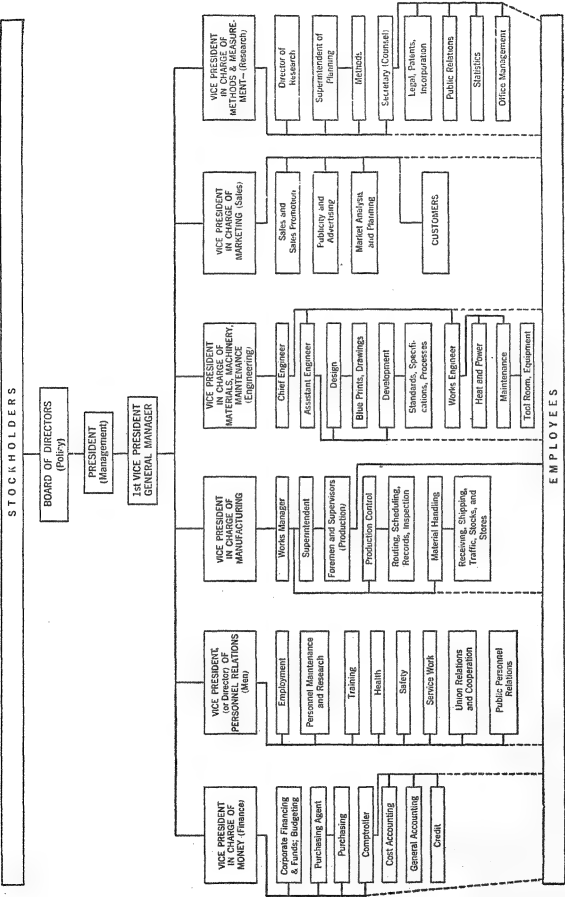


Figure 5. Organization Chart of a Typical Large Manufacturing Establishment
Solid line shows direct authority; broken line shows functional service.

functions of the company. The organization of personnel relations functions in detail is given in Figure 6.

The personnel relations function involves the giving of advice, co-operation, and service in personnel relations, rather than actually performing those functions in the line organization. It is to a great extent persuading that line organization to do personnel relations work properly, as well as "selling" them on the value of those functions which the personnel relations department does.

This is why some personnel relations executives have principally advisory or persuasive functions in the line organization. The best personnel relations work seems to be done by persuasion of what the best or right personnel relations methods are. It is getting the personnel to do what they should do by convincing them what is the best and right way to do it. If a personnel executive needs authority to accomplish personnel relations results, he may not be a good personnel executive.

The best personnel relations results are accomplished by the democratic way of persuasion and education, rather than by dictatorial or authoritative means. Those personnel relations functions which are actually performed by the personnel executive should be done in an exemplary manner of human consideration. Also, the work in the personnel relations department should be to cause, by their example and by their functions, those in the line organization—the foremen, superintendents, and managers—to do as much of the personnel relations work as they can do properly and still carry on the other management functions well.

The foremen and superintendents have a great many more times the personal and personnel contacts with employees than the personnel relations department; therefore, line representatives of management should know how to handle personnel relations properly.

Management today is greatly represented by the relationships between the worker and his immediate supervisor. The foreman is, to a large extent, the management to the worker. Therefore, foremen and superintendents have to know how to deal with workers and improve the relationship between management and workers and add to morale and good will. This has led to further training of foremen how to be better personnel relations representatives of management and do better personnel relations work.

In the past, management has been much concerned with advertising in general and to customers, but now more and more companies are coming to realize the worth of "selling" to employees and the public the social value of the company and its product. It is particularly important that the employees have faith in their company and its product in order to

convince the public of the social significance of the company and the value of its product. The support of the employees and the public is essential to the progress of a company, which makes the administration of personnel relations of prime importance. Also, employees are consumers and much attention will be paid to them as customers in the future.

Personnel relations activities are preventive management. They are carried on to prevent difficulties with human problems.

Stockholders and managers are in business to make a profit and to provide a living for employees. Employees are in business to make a living. They want their human problems handled in a businesslike, democratic manner rather than upon any charitable, philanthropic, or paternalistic basis. Most employers want to do the right, businesslike thing by their employees. Therefore, personnel relations work is worth the expense and effort on a business basis as well as on a human basis.

The principal reasons for the proper management of personnel relations are that it:

1. Improves employee-employer relationships.
 - (a) Improves attitude of employees toward the company.
 - (b) Improves morale and good will.
2. Prevents personnel relations difficulties.
3. Pays in dollars and cents.
4. Develops employees and the management.

The management of personnel relations is a quality function, depending not only upon how much personnel relations work is being carried on, but also upon how well it is performed. Some companies may have relatively large centralized personnel relations departments, but the quality of the work of those departments may not be all that is desired. The need for improvement in the quality of the management of personnel relations activities in industry is evidenced by the number of grievances, by labor turnover, by the number of man-days of idleness because of strikes, lockouts, labor disputes, absenteeism, and by the manpower, wage, and other difficulties in industry. Better personnel relations activities are needed to solve the readjustment problems involved in peacetime as well as those of war, and those of unemployment in "normal" and "depression" times.

The problems presented by these difficulties are in addition to the other responsibilities placed upon the management of personnel relations by regulations under the National Labor Relations Act, the Wage and Hour Law, the Social Security Act, the Walsh-Healy Act, and the demands and philosophies of labor unions. The proper management of per-

sonnel relations activities within a company is still a management function within the limits of these acts, other regulatory measures, and union contracts.

The quality of the direction of personnel relations activities still rests with the management even though it may be a more difficult function in the future. Better personnel relations men will be required. Present managers and directors of these activities must keep abreast (or ahead if possible) of the new developments in this field. Because of growing labor problems, personnel relations management is now becoming of greater and greater importance; and employers are finding that the proper management of men is one of its growing functions.

The extent to which personnel relations activities exist in industry was investigated by the National Industrial Conference Board. Information concerning their personnel relations problems was solicited from companies in all the fields of business activities. Replies were received from 2,700 establishments, a representative cross section of American business. The prevalence of the personnel relations activities in these companies is given in the study.⁴ In summary, 70% of the employees in those companies had full time personnel directors; 85%, physical examinations; 69%, group life insurance; 68%, signed union agreements; 66%, plant dispensaries; 66%, athletic teams; 61%, vacations; 57%, cafeterias and restaurants; and others as given in the investigation.

Personnel Relations Functions

Although Figures 5 and 6 present a general picture of personnel relations functions, these functions of any particular company or organization vary according to the product, the locality, and the conditions of employment in the particular company or industry. In order to show how a general list of personnel relations functions is adapted to a particular company, an outline description of the personnel relations program of the Armstrong Cork Company follows:⁵

<i>These are their objectives:</i>	<i>Here are some of the ways in which they are trying to attain these objectives:</i>
Capable Employees	<ul style="list-style-type: none"> Extensive survey for qualified candidates for employment. Painstaking selection procedure. "Promotion from Within" is standard policy. Selection of the best candidate for each vacancy. Employment on a trial basis.

⁴ National Industrial Conference Board, *Personnel Activities in American Business*, New York, 1940, p. 6, etc.

⁵ *Armstrong Serves the Nation*, Lancaster, Pa., Armstrong Cork Co.

These are their objectives:

Here are some of the ways in which they are trying to attain these objectives:

Fair Wages	<p>Wages and salaries are equal to, or above, those prevailing in the community for similar responsibilities.</p> <p>Careful appraisal of individual jobs assures that wages and salaries for different jobs throughout the organization compare favorably.</p> <p>For many years "time and one half" has been paid to hourly employees for time worked in excess of 8 hours in a day, 40 hours in a week, and for all work performed on Sundays and recognized holidays.</p>				
Security of Job and Income	<table border="0"> <tr> <td data-bbox="344 444 510 504">Minimizing Employment Fluctuations</td><td data-bbox="567 401 921 529"> <p>Accurate forecasting of sales.</p> <p>Careful planning of production.</p> <p>Effective inventory control.</p> <p>Constant research to improve present products and to develop new ones—increasing employment.</p> </td></tr> <tr> <td data-bbox="344 561 495 644">Assuring Fairness to Individual Employees</td><td data-bbox="567 536 921 668"> <p>Individual records evaluating each employee's performance.</p> <p>Central personnel administration.</p> <p>Executive review of each termination of service.</p> <p>Recognition of length of service.</p> </td></tr> </table>	Minimizing Employment Fluctuations	<p>Accurate forecasting of sales.</p> <p>Careful planning of production.</p> <p>Effective inventory control.</p> <p>Constant research to improve present products and to develop new ones—increasing employment.</p>	Assuring Fairness to Individual Employees	<p>Individual records evaluating each employee's performance.</p> <p>Central personnel administration.</p> <p>Executive review of each termination of service.</p> <p>Recognition of length of service.</p>
Minimizing Employment Fluctuations	<p>Accurate forecasting of sales.</p> <p>Careful planning of production.</p> <p>Effective inventory control.</p> <p>Constant research to improve present products and to develop new ones—increasing employment.</p>				
Assuring Fairness to Individual Employees	<p>Individual records evaluating each employee's performance.</p> <p>Central personnel administration.</p> <p>Executive review of each termination of service.</p> <p>Recognition of length of service.</p>				
Assistance in Case of Death, Disability, and Old Age	<p>Group Life Insurance in case of death.</p> <p>Group nonoccupational accident and sickness insurance.</p> <p>Insurance benefits in case of permanent disability.</p> <p>A formal pension program supplementing Federal Old Age Benefits.</p> <p>The company contributes liberally to the cost of these programs.</p>				
Safe and Orderly Work Places	<p>Preemployment physical examinations.</p> <p>Periodic physical examinations in certain operations.</p> <p>Continuous safety engineering.</p> <p>Periodic health engineering surveys by outside experts.</p> <p>Health and accident safeguards written into all production specifications.</p> <p>Investment of sufficient funds to eliminate or control all known hazards and to safeguard all of our equipment.</p>				
Thorough Training	<p>New Production Supervisors are trained through production management course.</p> <p>Present supervisors are members of conference groups, and periodically participate in "Home Office Weeks."</p> <p>Intensive introductory training at Home Office and in factories for new members of sales and technical departments. Supplementary, periodic visits to Home Office for additional training.</p> <p>Maintenance of progress, achievement, and training plan for each hourly employee, and personal discussions with the individual periodically.</p>				
Reasonable Working Hours	<p>A normal work-week not exceeding 40 hours and 5 days has long been in effect for hourly employees.</p> <p>Offices also operate on a basic 5-day week.</p> <p>Hourly and salary workers receive vacations with pay.</p>				

These are their objectives:

Here are some of the ways in which they are trying to attain these objectives:

Knowledge of and Participation in Company Activities	Providing Information	<ul style="list-style-type: none"> "The Armstrong Reporter" (an employees' magazine) is mailed to employees' homes monthly. Bulletins are posted on current developments. Employees receive a report of operations semi-annually. Company policies are written and available to employees.
	Employee Opinion Sought	<ul style="list-style-type: none"> Management has always freely discussed matters of mutual interest with individual employees and their representatives. Employees are free to select any form of representation they desire. Cash awards are paid for accepted suggestions. Polls of employee opinion are made periodically.
Assistance for Hourly Employees in Times of Slack Work		<ul style="list-style-type: none"> The company pays unemployment benefits during the "waiting period" before State Unemployment, tax-supported benefits start. "Short-time" benefits are paid to provide "make-up" pay in event of work hours less than three full days per week. "Prepaid wages" up to 60% of normal income are available to hourly employees with 5 or more years of service for remainder of year if laid off through no fault of theirs.
Pride in Policies, Products, and Progress		<ul style="list-style-type: none"> Employees informed of policies, acquainted first hand with Armstrong quality, and participating through the programs above in the company's progress, take pride in their organization—they are "Partners in Industry."

Although Figure 6 is a typical or composite organization chart of many companies, each company must base its own personnel relations program upon its own needs. However, Figure 6 can be used as an organization audit checklist, against which a company can compare its present activities in the field in order to determine broadly what it is not doing in these respects.

Some companies are expanding their personnel relations to meet the postwar demands. Figure 7 is the organization chart of the personnel relations during the war and the postwar additions.

Other companies are decreasing their personnel relations departments for the postwar period. Figure 8a gives the organization of the indus-

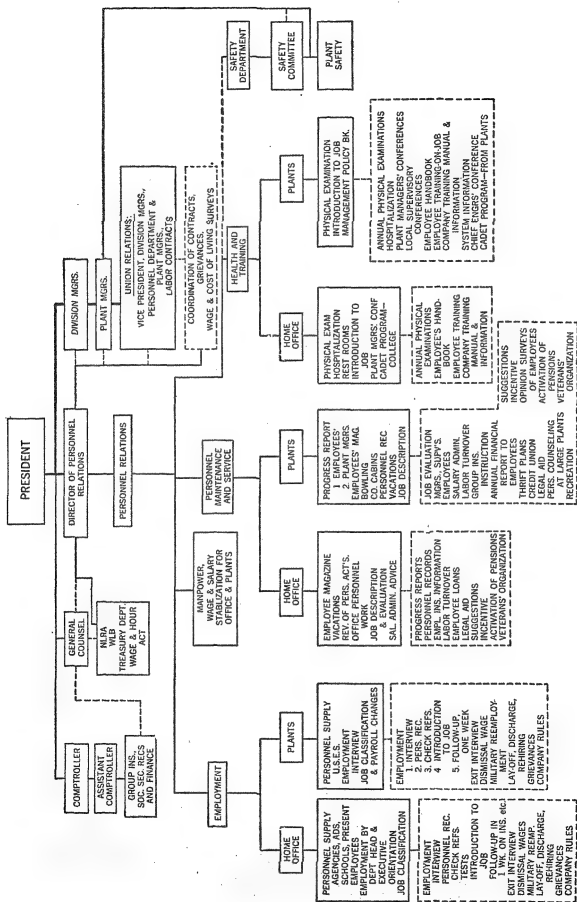


Figure 7. Present and Proposed Organization of Personnel Relations for a Company

Solid line boxes indicate present personnel activities. Dotted line boxes show possibilities for future consideration and review. Doubly heavy line indicates primary executive responsibility.

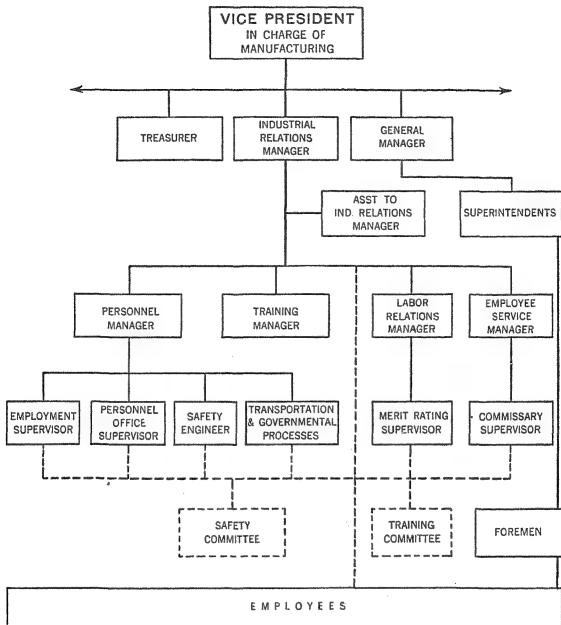


Figure 8a. Organization Chart of Industrial Relations in a Company During World War II for 2,100 Employees

trial relations department of a company during the war with 2,100 employees, and Figure 8b is the organization of those activities in the same company for postwar period with 900 employees.

From the foregoing description of personnel relations in particular companies and the composite charts and lists, a general statement of the management functions of personnel relations follows:

A. General:

1. Organization, development of policies, coordination, and administration of personnel relations

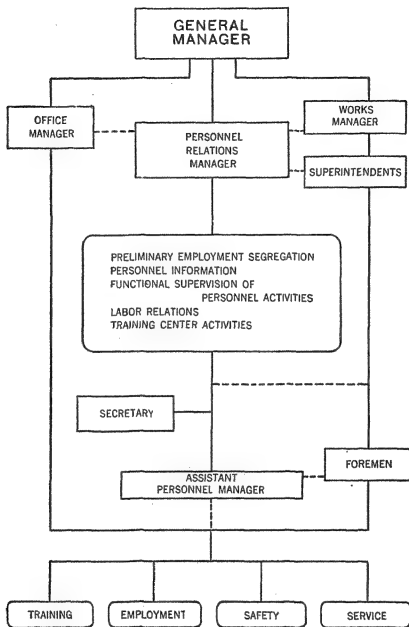


Figure 8b. Organization of Industrial Relations (same company as Figure 8a), Postwar, for 900 Employees

B. Union Relations:

2. Collective bargaining with the union
3. Wages
4. Union-management cooperation

C. Employee Relations:

5. Employment
6. Maintenance of employee relations and personnel research
 - (a) Job evaluation
 - (b) Personnel progress rating

- (c) Personnel turnover, promotion, transfer, and discharge
- (d) Personnel research, audit, and records
- 7. Training and education
- 8. Health services
- 9. Safety
- 10. Service activities
- 11. Individual employee development

D. Governmental Relations :

- 12. Cooperation with governmental agencies
 - (a) National Labor Relations Board
 - (b) Wage and Hour administration
 - (c) Social Security—pensions and unemployment insurance
 - (d) Department of Labor, National War Labor Board, Treasury Department, and other bureaus

One of the chief functions of the personnel relations department is the negotiation of labor contracts by bargaining collectively with the union or unions through freely chosen representatives. To facilitate collective bargaining, the management needs to have a clearly defined personnel relations organization and policies which should be made known to every employee. These policies, not arbitrarily drawn up, should be based on past experience and future trends and goals of the company in the industry and community in which it is located.

For any employee dissatisfaction, a procedure for handling grievances can be worked out to the mutual satisfaction of the management and the union. Informal conferences need to be held from time to time between the management and the union representatives for discussions of working conditions and other personnel relations problems. Such an exchange of ideas results in closer cooperation and understanding; the management receives practical suggestions, and the employees derive satisfaction from knowing that they have an opportunity to be heard cooperatively. It is the democratic way.

Many of the companies ⁶ which established labor-management committees have found that labor-management cooperation is an important factor in employee morale. They have set up a plan of cooperation through a committee composed of representatives of management and the union to consider absenteeism, meeting production schedules, suggestions, recreation, etc.

It is a function of public personnel relations to see that the company cooperates with and conforms to governmental regulations under the

⁶ More than 4,500 companies had set up labor-management committees in cooperation with the War Production Board by May, 1944.

National Labor Relations Act, the Wage and Hour Law, the Social Security Act, and other federal and state laws affecting personnel relations. This departmental function has to do with making out governmental reports on wages, labor turnover, and other labor subjects.

There seems to be a trend toward more cooperation between companies on personnel relations matters. In some instances the representatives of personnel relations departments of several companies in an industry meet regularly for an exchange of personnel relations information. Some industries, such as glass and coal, bargain together with the unions in negotiating labor contracts.

Besides the collective dealings between management and employees there are many functions which require good management techniques if proper personnel relations are developed and maintained by a company.

When a vacancy in employment occurs, sources of personnel supply must be available from which to secure a new employee. These sources must be understood, studied, and developed in order to yield workers for vacancies without extended delay. The supply of workers comes from two main sources: from within the company, such as by transfers, promotions, through employees, former employees and their friends; and from outside the company, such as applicants at the gate and by letter, advertising, from schools, etc.

The selection of applicants also adheres to certain employment procedures which vary with different companies. The generally used method involves an interview, physical examination, mental, trade, and other tests, the comparative selection, and finally introduction to and instruction in the job. Once an employee has started to work, he must learn to do his job. At the same time, he should be made satisfied. In order to keep him interested, there needs to be a reasonable means for promotion, such as advancement in wages or salary, increase in responsibility, authority, or title, which will fit the worker's accomplishments. Two systematic promotion plans—the *three-position plan* and the *multiple chain promotion plan*—can be considered. If openings for promotion do not arise, transfers from one department to another may take care of the difficulty and provide interest. A man in one department may not be fitted for the work he is doing in that particular service. By transferring him to a section where the work suits him and for which he is better adapted, a reduction of labor turnover, an efficient employee, and an increase in production may result.

In spite of well-worked-out employment methods and promotion schemes, the problem of discharge will come up. In such cases the reasons for dissatisfaction are carefully studied, and the last contacts with the employee are made as cordial as possible. Interviews with leaving

employees sometimes help to create good feeling as well as to provide helpful information for dealing with future cases. It sometimes happens that former employees will seek to be reinstated in their old jobs. Rehiring such men is often a good policy, for they know the ways of the company and the desirability of the work to which they are returning. In addition, the cost to management of the employment routine and instruction will be greatly reduced.

Other points to be considered by the management include a systematic plan for retiring aged workers and a plan for regularizing employment. When employers earnestly strive to apply reasonable personnel ideals to such matters, employees feel that management has a decided interest in them which tends to make for better morale.

The maintenance of personnel relations with a minimum of labor turnover is important. This is achieved by making the employee interested, effective, and satisfied with his work. Wages must be commensurate with the work performed. This is determined by means of job analysis, description, and evaluation. After jobs have been evaluated and fair wages set according to the value of those jobs, management has the function of administering those wages fairly.

Employees can know the wage and other financial policies of a company by means of an employee handbook of personnel relations policies and benefits, and by means of financial or job holders' reports to employees.

As employees work, their progress may change, so it is important that the employee know his progress through progress reports—personnel ratings. It is important for management to know how employees think and feel about company policies and actions. This can be determined by morale surveys. To aid the busy, centralized personnel relations department in the large productive departments, personnel counselors can be appointed.

Close attention should be paid to fluctuations in wages and cost of living. Research on personnel relations is, therefore, important; and the personnel relations activities should be audited periodically. Personnel reports and statistics are needed constantly, and management should have someone to obtain them. Personnel turnover will occur and attention to it is needed. Individual employees will need personnel assistance which the management can give.

An employee will be better satisfied if he knows how to do his job well; therefore, job instruction and training are important. Also, foreman conferences need to be held, apprentices need to be trained, and other company training and adult education should make employees happier, more effective, and of greater value to the organization.

Health is considered a keystone of personal effectiveness. Most companies require physical examinations prior to employment and provide first-aid equipment and dispensaries for employees. Educational campaigns in nutrition have been instituted by a number of companies to encourage employees to learn proper eating habits and thereby increase their general well-being.

Safety on the job prevents accidents and loss of wages to the employee. Hazards have been reduced considerably by the provision of mechanical safeguards on machines, and principally by ceaseless education and publicity against carelessness of the worker. Causes of accidents have been analyzed and pointed out to employees in an endeavor to lessen the number of accidents. Safety education, publicity, competitions, etc., are carried on continuously to keep the workers on the alert and safety-conscious.

Service work, which tends to improve the complete personnel organization, takes the form of benefit and thrift plans, pensions, credit unions, recreational activities, company housing, clubhouses, athletic teams, restaurants, stores, gardens, and parks, as well as suggestion systems, legal aid, etc. The democratic handling of these activities makes for better morale.

Personnel Counselors.⁷—The centralized personnel relations department and foremen of some companies have been given so many duties to perform that the personnel manager and the foremen do not have enough time for good personnel relations with the individual employees. In many companies personnel counselors have been appointed and placed in the factory to pay personal attention to the employee who wants and needs it. The counselor assists the foreman with the latter's personnel functions, which the foreman may not have time or inclination to do.

In one of the large companies, counselors were appointed and trained to assist in the follow-up of employment and training of new employees, transfers of employees, discussion of absenteeism, rating, replacements, wage changes, personnel records, suggestions, and recreational activities.

During World War II, with the employment of large numbers of new workers, companies such as the Wright Aeronautical Corporation⁸ and other aircraft companies established personnel counselors to humanize employment in those companies, especially for women. An excellent and

⁷ For a good summary of this subject see "A Guide to Personnel Counseling" in *Personnel*, November, 1943 (Vol. 20, No. 3), pp. 139-153; also Helen Baker, "Employee Counseling," *Personnel Journal*, April, 1944 (Vol. 22, No. 10), pp. 354-362; also report on same subject, Industrial Relations Section, Princeton University.

⁸ Walter Bishop, "Personnel Counseling," *The Conference Board Management Record*, July, 1943, pp. 298-299. (Also see Virginia Pope, "Humanizing the Job," *New York Times*, August 8, 1943.)

outstanding example of personnel counseling was that in the Western Electric Company.⁹

Personnel counseling can be used to bring back those personal and personnel relationships between management and employees sometimes lost in large and fast-growing companies, as well as in small ones where the foremen do not have the time for personnel functions.

Personnel and Industrial Relations Work in the Small Plant.—

The personnel relations department, as a separate division, is found more in the larger companies than in the small ones. In a company of one hundred to two hundred employees, the overhead necessary to maintain a separate personnel relations department may prohibit its establishment as a single unit, and the responsibility of the work generally falls upon someone who has other duties. It is often placed in the hands of the secretary of the company or delegated to the line executive to perform with his other duties.

The personnel relations responsibilities in the small company should be assumed with just as much enthusiasm as in the large corporation; they should be carried out just as systematically and should include the activities mentioned for a large company, but in a more limited way. They have been found to be worth while in the large company, and when maintained proportionately they are worth while in the small company.

In fact, in many small plants personnel relations work is needed more than in large plants. In some small plants, the number of workers per foreman or supervisor is much larger than it is in large plants. Hence, the relationship between the employee and management, as represented by the foreman, may not be so close in the small plant.

In some industrial localities several companies combine in order to provide better personnel activities than would be possible if each company were to undertake them separately. This plan has been found very effective. If the small company is isolated from other companies, it may be possible for it to secure certain personnel activities by joining with the community in such work. Only in exceptional cases will the situation make it necessary to omit personnel activities entirely.

Developing Personnel Relations Policies

Management should not only develop sound and definite labor policies, but should also make them known to everyone in the business. A policy is a guiding goal towards which to work. It should be a state-

⁹ F. J. Roethlisberger and W. J. Dickson, *Management and the Worker*, Cambridge, Mass., Harvard University Press, 1940. (See especially "Mechanics of the Program," p. 593, and suggestions for personnel counseling.)

ment of the fair thing for which the company is striving. It is the idea behind its actions; the guiding spirit, or ethical standards, upon which actions are based. Without a policy, the functions of management are not complete.¹⁰

Many managements also prepare employee handbooks¹¹ or manuals in order to present their policies and to set down clearly the benefits to and responsibilities of employees. Annual reports to employees as jobholders contain policies, and employee magazines often give company and employee points of view.

After discussing their policies with many executives and managers of General Motors, the American Rolling Mill Company, Sears, Roebuck and Company, Servel, Inc., Revere Copper and Brass Incorporated, and others, it is evident that one of management's foremost functions with reference to its employees is the establishment of sound labor policies.

It is a primary function of companies to give to the employees those purposes and principles which are guiding the course of the company's human relations by printing or stating definitely the labor policies which management is actually carrying out. Wise management today is not only stating its personnel policies definitely, but also in some companies is challenging the employees to report deviations made by anyone from those established policies. The president of the American Rolling Mill Company has repeatedly stated that any employee who believes he has not been treated in accordance with ARMCO policies¹² has the right to appeal his case to each successive ranking supervisor until he reaches the president himself, if necessary. Such a condition leads any company, then, to make its policies such that there will be no doubt as to their meaning. In fact, a labor policy in order to be effective must be a carefully thought-out and clearly worded statement of principles which guides the management in solving its human problems in relations mutually harmonious and profitable to employer and employee.

In form, the labor policies are usually printed and made available to every employee. General Motors, the American Rolling Mill Company, Revere Copper and Brass Incorporated, and many other companies printed their labor policies in the form of a pamphlet for each employee.

A labor policy is a statement of the objective to be accomplished. It is management's steering wheel. It provides a common, central personnel theme for the company, as well as a standard for executive action, a basis of coordinating personnel relations, and a goal for estimating

¹⁰ For description of union policies see Chapter 2 on "Labor Unions in a Democracy."

¹¹ See *How to Prepare and Publish an Employee Manual*, New York, American Management Assn., 1942.

¹² The principal ARMCO policies were given in the special section of *Factory Management and Maintenance*, May, 1937, p. S-383.

management's achievement in respect to labor. The formulation of statements of policy is the most difficult and delicate task of most managements. Several methods have been used by companies in the formation of their personnel relations policies.

The plan used by the Westinghouse Company, General Motors, Revere Copper and Brass Incorporated, and others was to obtain the views of the various executives, officers, and foremen of each organization, and to compile them into a unified policy for the company as a whole. The Westinghouse Industrial Relations policy states:

In its formation, Industrial Relations policy begins with the expression of need by the local executive who knows local conditions. With several sets of local conditions, differing in complexion, in mind, the second step in the formation of Industrial Relations policy is the preparation of concise, clearly written statements on matters of policy. These policy statements then go back to the local managements for their guidance and use in the fullest knowledge that similar problems, met elsewhere in the organization, are being met by other managements by the application of the same underlying fundamentals.

The American Rolling Mill Company places the responsibility for a labor policy upon the executive management. The foreword to their policies states that:

In the modern corporation, the choice of the methods to be used in conducting the business and the responsibility for their effectiveness always falls squarely upon the shoulders of the Executive Management. It could not and should not be otherwise. Sound management will account for its stewardship to its stockholders, its employees, and its customers; to the stockholders, through a clear and thorough annual report, and through honest and fair dealing, through insistence on safe and satisfactory working conditions, through efficient and well-maintained equipment with which to work, and through the creation of other important incentives, so necessary to the pursuit of human happiness; and finally, to the customers, through prompt deliveries and fairly priced products of the quality promised.

To chart a course for all to follow in the conduct of company business, a sound management establishes certain policies, developed by experience and tested by time, that all who play a part, no matter what its importance, may understand the official position of the institution. Policies are, in short, the organizations' *constitution* of intention, decision, and action.

Some companies believe in working out labor policies in cooperation with employees. Clarence J. Hicks states that three points must be

safeguarded if the essential personnel provisions are to be made effective and of most value to the organization. First, the policy should be worked out in cooperation with the employees; second, the labor policy should be made known to *every* employee; and third, the policy should be followed.¹³ The first consideration seems to indicate a trend in policy making. In about 1925, it was emphasized that the policy must flow from top of the organization to the bottom and that it could not well come up from below.¹⁴

In High Point, North Carolina, a group of company executives got together, reviewed a number of labor policies, and drafted a set of general policies for each industry as a starting point for individual companies to write their own labor policies. The first step in that procedure was to obtain a number of policies from leading companies which had had considerable experience with labor policies. The contents of these were studied carefully. For example, General Motors' Labor Policies contain an introduction concerning the company, and statements concerning their hiring procedure, wages, wage payment plans, working hours, grievance procedure, layoff, transfers and rehiring procedure, timing operations, discharge of employees, coercion and solicitation, and collective bargaining.¹⁵

A review of the statements issued by some fifteen or twenty companies suggests the following composite list of contents for a statement of labor policies:

1. Introduction—A brief history of the company, a description of its present status, and what the company has done for its employees
2. Cooperation—employees' and management's interest and goals
3. Selection and placement of employees
4. Conditions of employment
 - (a) Wages and the method and basis of wage payments—highest wages and lowest unit cost of production
 - (b) Hours of work and overtime
 - (c) Layoff procedure, transfers, rehiring, etc.
 - (d) Discharge
 - (e) Working conditions
 - (f) Vacations, etc.

¹³ Clarence J. Hicks, "Essentials in an Industrial Relations Policy," *Addresses on Industrial Relations—1937*, Bureau of Industrial Relations, University of Michigan.

¹⁴ For this emphasis, see Oliver Sheldon, "Policy and Policy Making," *Harvard Business Review*, October, 1925, Vol. IV, No. 1.

¹⁵ *General Motors Labor Policies and Procedures*, March 25, 1937, General Motors Corp.

5. Collective bargaining
 - (a) Recognition of the National Labor Relations Act
 - (b) The right to organize and choose representatives
 - (c) Management's meaning of collective bargaining
 - (d) Grievance procedure
6. Labor-management committees and cooperation
7. Suggestions
8. Social security
9. Safety and compensation
10. Insurance, savings, and loans
11. Training
12. Relief in case of sickness, etc.
13. Health
14. Community relationships of workers and company

Although this list may be somewhat comprehensive in its scope, each company individually is different from every other company, and its policy must be to a certain extent individually different from every other policy. It behooves each company to make that policy which actually exists in or for that particular company. Various companies in the same industry may be able to use similar statements of policy. Also, there are certain subjects which all companies are forced to recognize by law.

In recent years management has not told its employees what it has really been doing, fearing that those employees might in some way consider the statements to be interference with their rights under the National Labor Relations Act. Many companies have been doing splendid personnel relations work with their employees but have not mentioned it. Management should state to the employees, as an introduction to its policy, just what services are available to them. For example, in assisting a hosiery company work out its labor policy, the author found that the manager of the company himself did not have at his fingertips everything that the company had done for the employees and what the company meant to them.

Every company can emphasize its value to the employees. The following outline has been followed by a number of companies in making the introductions to their labor policies:

SUGGESTIVE OUTLINE OF INTRODUCTION TO COMPANY PERSONNEL POLICY

1. (a). Date founded and by whom (with statement of characteristics of founder, etc.)
 - (b) Under what circumstances was company founded? (Why?)

- (c) Comparison of start with present-day equipment, buildings (or floor space), etc.
 - (d) Comparison with twenty years ago and today.
 - (e) Statement of why company has progressed.
 - (f) Description of the development of products and amount of products today.
 - (g) Service rendered by the company in nation, community, etc.
 - (h) Purpose or slogan of company which exemplifies an ideal for the workers to strive for, in their work (such as "99.44% pure," or *"the best kitchen cabinet that you can make which you would like to have in your own home,"* etc.).
2. (a) Number of employees.
- (b) Number of persons dependent upon company for living.
 - (c) Continuity of employment in company or labor turnover.
 - (d) Age of employees.
 - (e) Nationality of employees.
 - (f) What one week's and month's loss of work would mean to employees, the company, etc.
3. (a) Yearly wages.
- (b) Number of automobiles, radios, homes, etc., of workers.
 - (c) Cost to maintain business in city.
 - (d) Amount of business each year and extent of that business in nation.
 - (e) Amount of taxes paid this year to community, state, and nation.
 - (f) Amount of insurance, social security payments, etc.
 - (g) Any other material to show what the company is doing for its workers and the community. Also, what the loss of wages would mean to merchants, doctors, etc.

Such an outline, conscientiously followed and combined with the philosophy of the management in general, should result in a good introduction to a company's labor policy.

Following the introduction come the statements of policy on the various subjects. Although some managers may hesitate to put in writing their policies with reference to some of these questions because of the National Labor Relations Act, they still have the right to freedom of speech and the right to be heard on other matters. Some companies may state their labor policy in the form of a labor union agreement.

One industrial engineer of a large company recently said that a company labor policy was a false front which gave the minor executives an

opportunity to chisel on the executive management. This is the exception rather than the rule, for the company policy usually coordinates and makes uniform the company regulations from the top to the bottom, and vice versa.

Some companies test their policies by asking their employees' opinions, while others ask the employees to vote on policies. The Armstrong Cork Company has tested its policies by means of a vote of all the employees who care to express their opinions. They printed a booklet entitled *How Do You Feel?*, in which they asked their employees to express their opinions of its policies with respect to (1) security of job and income, (2) a fair wage for work performed, (3) safe, orderly work place, (4) pride in the policies, products, and progress of the company, (5) reasonable working hours, affording enough time for relaxation, (6) knowledge of what the company is doing and an opportunity to express opinions freely, and (7) an opportunity for the employees to be prepared in case of sickness, accident, disability, or death, and to provide an income for declining years. About 90% of the employees answered the questions in *How Do You Feel?*, which certainly indicates the employees' interest in the company's policies.

Some companies pass out a brief employee questionnaire asking their opinions about management's policies.¹⁶ General Motors presented their labor policies and views in the form of small pamphlets on subjects such as "*What Is a Job?*" These practices further emphasize the purposes and objectives of their labor policies.

Although many purposes have been stated for a company labor policy, the actual results of such a policy can be indicated by the attitude and morale on the part of the employees. The Westinghouse Electric & Manufacturing Company states that its policy-making procedure and policy statements "make for harmony, clarity of thinking, definition of principle, designation of responsibility, and clearness of organization line."

The American Rolling Mill Company has stated two outstanding effects of the publication and distribution of company policies:

First, it tends to create greater consistency upon the part of the supervisory organization in making decisions affecting people. If each supervisor were to make decisions based upon his own inclinations, confusion would result. Any supervisor who makes a decision that is not in harmony with ARMC policies may expect to have that decision reversed, should it ever be questioned.

Second, it provides those who are not supervisors with certain standards of treatment that they have a right to expect.

¹⁶ Description of how the employees rate plant policies was given by Rex B. Hersey in the September, 1937, *Personnel Journal*. Also see chapter on "Morale Surveys" in this book, for fuller discussion of attitude studies.

A sample of a good, brief company personnel relations policy is that of the General Foods Corporation.

Besides presenting a company's personnel relations policies through an employee manual or handbook, the financial policies of the company may be explained to employees in the annual financial report to the employees,¹⁷ or job holders' report, as it is called in some companies as compared to the stockholders' report. These annual financial reports to employees are reports of profits and losses, where the company's money comes from, and where it goes. They are printed in a simple style so that the average employee can easily understand the financial condition of the company. Some of the companies issuing such financial reports to employees are Swift and Company, Chicago; Consolidated Edison System Companies, New York City; International Harvester Company, Chicago; General Motors, Detroit; Pullman Companies; Caterpillar Tractor Company; Johns-Manville Corporation; as well as many others. The Thompson Product Company distributes small printed bulletins giving facts about the company whenever there seems to be some doubt as to the company's position on a problem. Other companies occasionally send letters to employees to explain certain things which the company is doing. All these plans of presenting company policy are means of informing employees of the facts about a company and improving morale.

One company asked its 1,000 foremen to review the policies that had been prepared in mimeographed form to see if the foremen considered them good. The policies were revised according to the foremen's suggestions, and finally they were printed. This plan also helped the foremen to learn the company's policies thoroughly before passing them on to the employees. Any cooperative plan of policy making seems from experience to be better than policies devised by one person alone or a small group of persons.

Management's Collective Bargaining, Individually and by Industries

Most of the collective bargaining in the United States is done by the individual company and the local union or its international representative. Management usually has an officer, either a vice president or director of personnel relations, responsible for bargaining, preparation of facts on wages, cost of living, etc., and other personnel relations activities. Some companies have, in addition, a policy committee made up of those most concerned with bargaining, such as the president, the person-

¹⁷ See also *Company Annual Reports to Employees*, National Industrial Conference Board, Studies in Personnel Policy, No. 47, 1942.

nel relations officer, the person in charge of manufacturing, and the legal counsel. This committee makes the policies and principles under which the management of personnel relations of the company is carried out.

One of the first functions of good personnel management is a sound, solid organization with delegated authority and responsibility to carry out the company's policies and functions, especially in respect to union relations.

But management must first have adequate policies and principles with which it can bargain collectively with the union. Collective bargaining is something management can produce with—an instrumentality of production.

Cyrus Ching, vice president of the United States Rubber Company and a member of National War Labor Board II, once said that "the only way to deal with labor is to *deal* with them." By that he explained that he meant that management should be open-minded when going to a collective bargaining meeting with the avowed purpose of really bargaining and coming out of the meeting with an agreement if at all reasonably possible. Some managements start bargaining with the idea that they will oppose everything that the union brings up and not give in an "inch" if they don't have to, so the bargaining is partially defeated from the very start.

Experience in personnel relations indicates that there are certain principles of collective bargaining which are the wisest for progressive management to use. Some of these follow.

One of the foremost principles of collective bargaining by the management is that it should have as many facts (the truth) as possible about the problems being bargained for with the union.

If, for example, management is discussing wages in the community, it should have the facts about wages in the community even if it means collecting and compiling those figures itself. If it is discussing cost of living and the changes which have occurred, management should make or ask some agency like the United States Bureau of Labor Statistics or the National Industrial Conference Board to make a cost-of-living study, if the dispute is sufficiently large to warrant the cost of such a study. These facts should be given in chart form or in a manner that can be easily understood by all.

The second principle of collective bargaining by management is to bargain in good faith—fairly. Each side should be willing to admit its mistakes although this is, of course, asking a great deal. Most managements will interpret the facts for their own benefit, just as most unions will interpret those same facts for their own benefit; but in this "bargaining" process, success requires a reasonable and fair attitude in these matters.

One of the first requests of the Steel Workers' Organizing Committee (now the United Steel Workers) was that management discard its *pretensions of infallibility*.¹⁸ If management will try to interpret the facts fairly, even admitting facts which are in favor of the union, the responsible union will usually return fair play and good faith in bargaining. Management should endeavor to rid itself of any anti-unionism it may have and meet the union on an honest, human basis that will lead in the long run to mutual confidence and respect.

If personalities enter into the negotiation, an early attempt should be made to try to get each person concerned to be tolerant and considerate. As some persons cannot be considerate, it may be well to remove them from management bargaining committees if their presence interferes with the bargaining. All emotional and abusive language should be avoided if possible. Each side should be willing to listen to the other side. Good faith is one of the strongest principles of collective bargaining.

Closely associated to the second principle is the third: members of the bargaining committees should control their tempers. Some union officials may try to get members of management "sore" or "mad" about something because many union representatives believe that if representatives of management get angry, they don't face facts and thereby lose the point. Management representatives have been known to do similarly and try to get the union representatives angry. "Lose your head, and you have lost the argument."

Fourth, management representatives should treat union representatives with a consideration of bargaining and social equality. Social kindness and consideration are as important in collective bargaining relations as they are in any other democratic relationship. Contempt of one person or group for another will show itself in a bargaining meeting without one word of contempt being spoken; it can be sensed. Any feeling on the part of one that the other is inferior will be readily seen, all to the detriment of collective bargaining. Good will for the company and the union is important.

The fifth principle is to deal with the facts humanly. The "cold" facts may indicate that certain inhuman action might be possible. Bargaining affects the lives of human beings, so facts should be handled with human consideration. Labor should not be looked upon as a commodity.

Sixth, both sides to collective bargaining should have a good sense of humor. Someone has said that it is not what one says that counts as much as the way he says it.

¹⁸ Steel Workers' Organizing Committee, *Organized Labor and Management*, Publication No. 5, Pittsburgh, p. 6.

Seventh, each side should respect the rights of the other and expect the other, as a representative of the union or management, to maintain its responsibilities. Management should demand and protect its own prerogatives and give the union its rights and hold it to its responsibilities. A goal to work for is that the solution should be *profitable to all concerned*.

Eighth, each side should be permitted to state, *uninterrupted by the other*, its position or positions about the problems under discussion.

Ninth, as issues are brought forth, an endeavor should be made to define them clearly, such as just what the union wants and what management will give or how far it will go.

Tenth, each side should be given time to consider carefully the proposals of the other. A definite, specified length of time should be allowed for the negotiations. If bargaining meetings are too long, a short recess at the proper time may put both sides more at ease.

Eleventh, negotiations should be started on those issues upon which agreement can be easily reached.

Twelfth, the agreement reached should be written, signed by all parties, printed, and given to each employee.

These are some of the principles of collective bargaining. Though they may not be used by most managements, they are practiced by some of the successful ones. Other principles could be mentioned,¹⁹ but these twelve have been found to be important for progressive management who can be human and thereby make profits.

In recent years labor-management cooperation has developed which further brings together union and management to help solve some of the day-to-day problems that concern both. The approach which has been found successful in some companies with union-management cooperation is:

1. Determine problem and, if practical, write it out.
2. Discuss with all concerned separately, to obtain the views of each person or each group independently of the others—obtain their pros and cons with reference to the problem and obtain their suggestions for settling or solving the problem.
3. Hold a meeting of both sides or various sides to present all proposed cons, and ask for suggestions of solutions; try to obtain majority agreement on best solution; cause meeting of minds if possible, otherwise one may oppose other side or sides later.
4. Put in agreed-upon solution and follow up.

¹⁹ The National Association of Manufacturers, *Collective Bargaining—A Management Guide*, New York, Industrial Relations Department, 1943.

The adequate functioning of labor-management requires considerable attention and work on the part of management and its representatives. It involves cooperation by management with labor, as well as labor with management.

Many companies today have good organizations within their own individual confines. Their policies and responsibilities, however, with reference to a higher or broader personnel management organization are only slight, if not questionable. But have they good, accepted policies and a sound and solid organization beyond their own corporate limits on an industry or group basis to cope with the difficult problems of inter-relationship among companies in the same industry, among industries, among industries and government, and among industries and labor unions?

Most companies have their manufacturing or trade associations, industry institutes, and other organizations.²⁰ The National Association of Manufacturers, the American Management Association, the Iron and Steel Institute, the National Electrical Manufacturers Association, the Publishers Association are examples. Let us look into the organization and activities of two of these briefly.

National Association of Manufacturers.—The constitution of the National Association of Manufacturers of the United States of America gives the objects of this association as follows:

SECTION 1. The general objects and purposes for which the said corporation is formed are the promotion of industrial interests of the United States, the fostering of the domestic and foreign commerce of the United States, the betterment of the relations between employer and employee, the protection of the individual liberty and rights of employer and employee, the dissemination of information among the public with respect to the principles of individual liberty and ownership of property, the support of legislation in furtherance of those principles and opposition to legislation in derogation thereof.

SECTION 2. The particular objects and purposes of said corporation are to establish and maintain a mutual and cooperative organization of American manufacturers in the United States for the fostering of their trade, business, and financial interests, to reform abuses relative thereto, to secure freedom from unlawful and unjust exactions, to diffuse accurate and reliable information as to the standing of merchants and other matters, to procure uniformity and certainty in the customs and usages pertaining to the trade, business, and financial

²⁰ "Collective Bargaining with Employers Associations," *Monthly Labor Review*, Vol. 49, No. 2, August, 1939, pp. 302-310, estimates that there are about 5,000 such associations.

interests of the members of said corporation, to settle differences between its members, to promote a more enlarged and friendly intercourse between the manufacturers of the United States, and to do all things necessary to carry out the aforesaid purposes for the mutual benefit and protection of its members, under and subject to such regulations, conditions, and limitations as may be prescribed by the Constitution and By-Laws.²¹

Since its founding in 1895, the National Association of Manufacturers has endeavored to serve *all industry* in increasing measure.

Its achievements are given as follows: Its persistent fight for the Panama Canal led to the first short water route to the Pacific Coast; it was the first to propose a Federal Department of Commerce; it fought for the pure food laws and the present parcel post system; it advocated worker's compensation even before organized labor; it pioneered in safety work.

Today the N.A.M. endeavors to serve industry:

1. *As a clearing house for industrial opinion.* The principal executives of more than 500 companies, serving in 20 standing and 15 special committees, meet time and again throughout the year to reconcile geographical and industrial differences on every subject of general interest to industry. Two hundred trade and industrial associations throughout the nation add their viewpoints through the N.A.M.-sponsored National Industrial Council. Based on these recommendations, industry's policies are molded by the 85 representative manufacturers on the N.A.M.'s Board of Directors and by the Association's membership as a whole at the Congress of American Industry.

2. *As the manufacturer's instrument of self-analysis,* constantly striving to raise industry's own standards and practices. Studies of industrial ethics, employment policies, the patent system and healthful working conditions are typical current examples of the search to improve even that which already tops the world.

3. *As Industry's "watch-dog" on federal affairs,* carefully analyzing governmental trends, legislative proposals and administrative developments. Its findings are imparted to members through six regular publications and numerous special bulletins.

4. *As the spokesman of Industry* before the national government and its Congressional and administrative agencies.

5. *As Industry's interpreter to the public.* Utilizing every medium of reaching the public—radio, newspapers, motion pictures, outdoor billboards, advertisements, booklets, speakers—in the largest public relations program of its kind, the N.A.M. has brought the truths about industry to all groups of American citizens. Its pioneering in this field

²¹ Constitution of the National Association of Manufacturers.

has made it the accepted champion of private enterprise in this country.

The Association has on its rolls the employers of well over half the nation's industrial workers. The added weight of numbers behind sound leadership gives N.A.M. the opportunity for still greater strides toward its goal of "A Better Industry and a Better America."²²

The National Association of Manufacturers issues N.A.M. Committee Reports which represent months of deliberation by the nation's leading manufacturers. Committee members reach conclusions only after many meetings to which they give many days of time and effort. Each manufacturer can realize the importance of carefully reading and studying them for his own information and guidance upon problems which are important to his own business. Samples of these reports are those on:

Industrial Practices	Tariff
Government Finance	Depression Study
Employment Relations	Shareholders' Survey
Industrial Financing	Agricultural Cooperation

This association is especially interested in industrial relations. Its Industrial Relations Department carried on the following activities in 1942:

1. Prepared the Labor Relations Bulletin and employment relations material for news letter.
2. Sponsored and supervised regional employment relations conferences.
3. Communicated with an expanded advisory group on current interests and problems.
4. Met with employment relations committees and subcommittees.
5. Held employment relations seminars in selected areas.
6. Carried on a program of healthful working conditions.
7. Made special studies and analyses.
8. Kept an expanded file of material for reference on employment practices and union contracts.
9. Answered inquiries on industrial relations.
10. Carried out special assignments, panels, discussions, and speeches.

Examples of results accomplished by the Industrial Relations Department are the bulletins: *Code of Good Labor Practices*; *Standards and Subjects for Labor Policy and Program*; *Collective Bargaining—A Man-*

²² Special summary of its activities prepared by the N.A.M. in 1943.

agement Guide; and *Collective Bargaining—Management Obligations and Rights*. Employers are especially referred to the latter two subjects.

American Management Association.—Another example of a management organization is the American Management Association. Alvin E. Dodd, president of the association, described the A.M.A.'s activities for the author as follows:

The American Management Association is composed of industrial and commercial companies and executives interested in modern and efficient management methods for their own organizations.

Because its membership includes almost every type of industry, the Association makes possible, by conferences, publications, and special services a broad interchange of management information and experiences.

The A.M.A. makes no profit, does no lobbying, and advances no propaganda. Its interests are solely the practical solution of current business problems and the development of the science of management. The Association has a background of over twenty-eight years' activity in the Management field. It comprises seven divisions as follows:

Personnel	Packaging
Office Management	Finance
Production	Insurance
Marketing	

Each of these seven divisions is headed by a vice president of the Association drafted from the membership and a recognized authority in his particular field. He is assisted in his work by a council of business men, who represent the most progressive thinking on questions which come before them. Each of these divisions holds its own meetings, has its own publications and conducts its activities as an autonomous unit.

Each A.M.A. division holds at least one conference annually. In 1942, over 7,000 business men attended A.M.A. meetings in various parts of the country.

The Information and Research Department places at the command of every member company a trained staff available to work on its day-to-day problems. In addition, it issues periodically research reports on significant current topics. This service is limited to company members.

The A.M.A. library contains over 5,000 books on management subjects, as well as files of over 400 current business magazines. Company members may borrow books and periodicals. Individual members are welcome to use the Library facilities at headquarters.

All A.M.A. members receive three periodicals: *The Management Review* (monthly) contains digests of articles pertinent to all fields of

management appearing in over four hundred publications, and brief reviews of current business books of significance. *Personnel* (bi-monthly) publishes articles on employee selection, training, compensation, promotion, pensioning, and the like, prepared especially for it by leading authorities. *Business Conditions and Forecasts* (monthly) gives a summarized analysis each month of the statements of six of the foremost business services.

These two examples, the N.A.M. and the A.M.A., show what such organizations are and do. Other representative organizations of employers are:

The United States Chamber of Commerce
National Industrial Conference Board²³
National Electric Manufacturers Association
National Metal Trades Association
National Electric Light Association
American Railway Association

These associations have a central headquarters as a clearing house for the business of the association and for an interchange of ideas. They often divide their work into separate divisions, having special groups to consider the functional types of work individually, as, for example, in the American Management Association. These associations usually have annual and periodic meetings in order to discuss their problems, to report on research work, and to investigate special topics. In such a way the interests of all members are promoted—a thing which individual companies or members could not easily accomplish.

Company and Industry Organizations for Collective Bargaining.

—Good as industry and trade associations and groups are, have such organizations as these any real power to decide group management policies, and have they the organization, authority, and responsibility to carry them out? Many companies meet with other companies in an industry once or twice a year, or even once a month, to discuss policies. This has some educational value, but it does not decide policies or put them into effect. If a majority of the companies in an industry would vote on a certain policy or action to be taken, would all the companies work to put it into effect?

Experience with intercompany relationships, particularly with the power of the employers' organizations, shows that companies are loosely

²³ For description of the National Industrial Conference Board see its bulletin *The Arsenal of American Enterprise*, 1941.

organized within most industries or groups, and that industries have but little or no connection among themselves.

Managements in some industries, such as glass and coal, and groups of companies are actually organized and bargain collectively together. In cities and localities groups of companies have joined into a unified front and are working together, such as the Associated Industries of Minneapolis;²⁴ Organized Business, Incorporated, in South Carolina;²⁵ San Francisco Employers' Council; the Associated Industries of Cleveland; the California Canning Industry; and the Pacific Coast Maritime Industry.

GLASS INDUSTRY. In the glass industry²⁶ there are two glass manufacturers' associations: the Glass Container Association and the National Association of Manufacturers of Pressed and Blown Glasswares. These two manufacturers' associations make annual agreements during the months of July and August with two national unions in the glass industry. These agreements are effective from September 1 until the following August 31 each year. All proposed changes to annual agreements are exchanged by each side at least thirty days previous to the assembling of the annual conference, and each proposition is considered item by item on its merit.

Agreements are negotiated by the executive committees of the manufacturers' association and of the union. The manufacturers vote on the proposals presented by the union, and the union votes on all proposals presented by the manufacturers. This method of settling their affairs "has a tendency to create a mutual regard for each other's interests," one large glass manufacturer has stated.

Ralph H. Lind,²⁷ secretary of the Glass Container Industry Labor Committee, gave the following description of bargaining in the glass container industries:

The relations of glass container manufacturers with labor unions go back over 100 years. In fact, the first record of a union in the glass industry was in 1833, and written records of union activities go back to 1842.

Since the general strike in 1889, the glass container industry has been dealing with two international unions on an industry wide basis. Since 1912, these two unions, both of which are affiliated with the

²⁴ Ward B. Stevenson, "Employers Should Form Unions," *Factory Management and Maintenance*, February, 1943, p. 89.

²⁵ C. Norwood Hastie, "Organized Business in South Carolina," *Manufacturers' Record*, Baltimore, Maryland, August, 1941.

²⁶ The author is grateful to Mr. T. W. Rowe of the Owens-Illinois Glass Company for the basis of this material on the glass industry.

²⁷ Letter to the author, February 9, 1943.

American Federation of Labor, have had their jurisdictions clearly defined.

Up to 1937 the union membership was largely confined to the machine operators and the mould makers. Since then the miscellaneous employees in nearly all of the companies have been organized into industrial unions within the jurisdiction of the two international unions with which the industry has had relations for so many years. These relations are for the most part on what might be called the closed shop basis. Both management and labor have had to do considerable educational work in bringing about an understanding on the part of these miscellaneous workers of the right kind of labor relations.

Annual agreements covering machine operators and mould makers have for a number of years been negotiated on an industry basis. Representatives of the companies and of the local union officials and conferees and the national officers of the unions meet yearly, usually at Atlantic City, and their negotiations usually cover a period of about one week. They come to an understanding then or later regarding the working conditions and the wage rates for the machine operators and the mould makers for the following year. The meetings with the two unions are held separately.

Meetings for the negotiation of agreements with the miscellaneous workers are not on an industry wide basis. Practically all of these agreements are between the union and an individual company.

There have been very few changes in the leadership of these two unions during the past fifty years. One of the unions, the Glass Bottle Blowers Association, has had but four presidents since 1889, and the present president has held office since 1924. The new president of the American Flint Glass Workers Union, an experienced labor leader and a man trained in the glass industry, recently succeeded the former president who had had a long and successful career.

During the last fifty years there have been very great mechanical and technical changes in the glass container industry due to the installation of high speed machine production. There has been no union opposition to the introduction of machines or to the use of new improved methods. The unions have cooperated in pushing the sale of glass containers and in matters concerning tariffs. One of the unions uses a part of its income to advertise the use of glass containers. Both unions have done much to protect the industry against unfair legislation.

While the relations with the unions in the glass container industry have on the whole been on a basis satisfactory to all persons concerned, there naturally have been differences of opinion between management and the unions. As you are of course aware, constant vigilance and proper labor policies are essential to the maintenance of smoothly running labor relations. The industry is fortunate in having

had relations over so long a period with two unions which are managed by competent, intelligent and reasonable officers.

ASSOCIATED INDUSTRIES OF MINNEAPOLIS. The Associated Industries of Minneapolis²⁸ describe their activities as follows:

The Associated Industries of Minneapolis.—Associated Industries of Minneapolis is a voluntary, unincorporated, non-profit association of individuals and business and industrial firms, large and small. Its constitution prohibits any political activity.

Its principal objective is to promote industrial peace—peaceful and friendly relations between employers and employes—on a basis of fair and square dealing with each other and better understanding of mutual problems.

It is affiliated with the Minneapolis Civic Council and is charged with the important responsibility of handling local problems in the field of employer-employee relations.

The progress of any city depends upon the growth and development of its industries. Their payrolls provide the purchasing power which creates business for all service trades and for the professions.

One of the major factors affecting industrial progress is employer-employee relations, for industry is truly a partnership between the employer, with his resources and product, and the employe, with his skill and labor.

Wholehearted and unselfish cooperation between employers and employes, and their representatives, with the public interest constantly in mind, will contribute tremendously to the business and industrial development of Minneapolis.

The Associated Industries of Minneapolis cooperates with employers and employes, not only to facilitate the negotiation of collective bargaining agreements, but also the prompt adjustment of disputes, grievances and other problems arising under such agreements.

Through Industries Council, composed of two representatives from each of 37 business and industrial groups in Minneapolis, representing more than 1,000 firms, Associated Industries of Minneapolis maintains a clearing house for information concerning all of the principal collective bargaining agreements in effect.

Industries Council was established under the auspices of Associated Industries for the purpose of encouraging cooperative action among employer groups and promoting the consummation of collective bargaining agreements fair to employer, employe and the public, without bitterness and strife. It operates within the framework of Associated Industries, but has its own officers and committees.

²⁸ Given to the author by M. E. F. Iserman, Director of Labor Relations of the Associated Industries of Minneapolis, December, 1942.

It compiles and keeps available for employers and employes accurate, up-to-the-minute records of wage rates covering practically all classifications of employment in Minneapolis and elsewhere, and makes periodical wage surveys, both in the local market and in competitive markets.

It maintains and publishes from time to time up-to-date statistics on the cost of living, and other statistics and information of interest and value to employers and employes.

It provides copies of and information upon federal, state and municipal laws pertaining to employer-employee relations.

It provides information regarding rulings of state and federal courts, affecting employer-employee relations; also rulings and decisions of the National Labor Relations Board, the Wage and Hour Division of the U. S. Department of Labor, the Social Security Board, the Minnesota Industrial Commission and other federal and state agencies.

It is affiliated with the National Industrial Conference Board and the National Industrial Council. Through such affiliations it makes available to employers and employes valuable and authentic information concerning sound and progressive employment relations programs and national trends in the field of employer-employee relations.

It maintains a personnel placement department which assists unemployed persons to find employment, without cost to either employer or employee.

The determination of the policies of Associated Industries of Minneapolis, its government and the entire management of its affairs are vested in a Board of Directors, composed of thirty Minneapolis business men, elected by the membership.

The Need for Strong Employers' Associations.—Some of these industry groups are doing good work, but, generally speaking, there are few such effective employers' organizations. Following a policy of rugged individualism, companies have been conceding one by one before nationally organized unions.

Bargaining by industries is well established in England and Sweden. In 1938, President Roosevelt sent commissions, representative of employers, labor, and the public, to study industrial relations in England and Sweden. The first sentence of the findings of the English Commission says: "In Great Britain employers in the major industries are generally members of industry-wide associations, which negotiate collective agreements with labor unions, or with groups or associations of unions." They also represent the industry in dealings with the government, and the government encourages it. The findings of the Swedish Commission were similar.

The disadvantages of bargaining by industries, claimed by some employers, are that unions would finally boost wages up to those of the highest company in the industry and that unions would try to usurp management's prerogatives. Experience in England and Sweden and, to a limited extent here, has not proved these claims to be well founded.

Some lawyers question whether it is legal under the Sherman Anti-Trust Act for employers to join together and bargain collectively. However, William H. Davis, chairman of the National War Labor Board and public representative on the Board, recommended it.

On the whole, steel, copper, and automobile companies do not have any common policies upon which they have all agreed, but they could. They have no inter-industry organization of elected representatives with power to promote and to act upon matters of mutual concern to the industries, but they could. On the other hand, local unions are organized into strong national and international unions. They have agreed upon policies and the organization to fight for them. They usually get their demands because they are more strongly organized than the companies they are bargaining with. This statement is not in opposition to unions, because strong, responsible unions, democratically run, are good for a democracy. Though unions are strongly organized, there is still a need for inter-union organization and unity.

As an example of the difference between unions and employer organizations, those in a position to know stated that most of the unions which came before the War Labor Board and its panels were usually represented not only by their local officers, but also by their national and international officers and representatives, by their lawyers, by experts on special subjects who were professionals in their fields. They came with their arguments well prepared to support the policy or plan agreed upon by their own unions and backed up by their internationals. If anything happened in the government contrary to those policies, their representatives were immediately on hand to make their demands known and felt; they fought for their rights and often got them.

Likewise, those in a position to know stated that most managements came before the War Labor Board ill prepared, and not represented or backed by a strong employers' organization. The demands of employers are not always made known to those who formulate policies in Washington. Employers' organizations do not back up their demands or make them felt as strongly as the unions. Should not managements have a strong organization with real authority to speak for all employers in an industry or in this country?

When legislation or regulation is proposed affecting the union labor organizations, full-time representatives of these labor organizations imme-

diately attack the problems with professional skill and great force. On the other hand, the effort of industry to protect itself is often left to the well-meant but intermittent efforts of a few volunteers. It may often be a case of amateurs against professionals, and employers suffer accordingly, especially in a democracy where a man is a man and a vote is a vote.

There are and should be strong union organizations in this country. There is and should be a strong government. There should be strong management organizations of employers to make a triple-strong democracy, as exemplified by the triple-strong Pacific Coast Maritime Industry Board of representatives of strong unions, strong managements, and strong government where peaceful industrial relations have finally resulted after turbulent trials. Employers could be organized, each could elect representatives to an industry organization, each industry could elect representatives to a larger and stronger unified employers' organization with power to decide its own action and the course to follow.

Management Viewpoints Toward Union Demands

Management has to devise wise policies with reference to sales, production, and personnel relations. Labor unions are especially interested in management's personnel policies and principles. However, the unions know that managements have had various viewpoints towards the unions' demands and their means of accomplishing them. Just how does management meet the demands and arguments of organized labor? What do managements want from unions? How do managements' demands differ from union demands?

Management not only has to deal with the 13,750,000 workers who are in labor unions, but also the large number of workers who are not in labor unions. With 45,166,083 employed workers, 14 years and over, in 1940 and 56,000,000 in the labor force in 1942, there are several times as many nonunion workers in the labor force as there are union workers. Therefore, management considers that it is obliged to keep in mind also the interests of all employees.

Even though in a specific company or industry a majority of the employees are members of a union or unions, the management considers that the minority should have individual rights and that these minority rights should be protected, especially if minority employees are loyal to the management in return for management's fair dealing in the matter of wages, hours, and working conditions.

Some managements object to the manner in which they contend that unions are organized by "agitators." It is claimed that these organizers exaggerate difficulties and grievances against management in order to

show the workers that they need the unions to settle those difficulties and to obtain higher wages, shorter hours, and better working conditions. Other managements look upon the organizer as a professional money-maker, working for a large salary and for what many contend is a "rake-off" of so much per "head" from the dues of the workers they organize.

Management objects when workers are coerced and intimidated by unions to join, and the employee is not left to his own free will and accord to choose whether or not he shall belong to the union. Employees should be free to choose whether they should or should not join a union, without interference, coercion or intimidation; even though in actual practice this is not always true.

A considerable number of managements believe labor leaders are radicals, dictators, irresponsibles, and/or "racketeers." There have been enough of these kinds of persons in the labor movement for management to object to, such as labor dictatorships, misuse of union funds, racketeering, extortion of money from employees, unauthorized and unjustified strikes, unwarranted jurisdictional disputes, unlawful picketing, and raiding of one union by another. A fair statement of racketeering in unions is Harold Seidman's *Labor Czars—A History of Labor Racketeering*.²⁹

Some managements contend that labor unions are not responsible, are undemocratic and cannot be legally held to the labor contracts for which they have bargained and to which they have agreed and given their word to uphold. These are evidenced, in the minds of managements, by wildcat strikes, breaking of contracts before expiration without legal redress by the management, the lack of regular or annual elections of officers, the nonpublishing of periodic financial statements to union members and the public.

One of the strong beliefs on the part of managements against unions, or rather, their desire not to see it happen, is that the unions want to usurp or at least encroach upon the rights and prerogatives of management because some unions have endeavored to do so. The contention is that the management loses authority, control, time in making decisions, and discipline. Management wants to deal with its own employees whom they know and who know the business and the conditions in the company, rather than with an outsider who does not know the company well and who will try to force on the company general conditions which may ruin or at least hurt the company in the long run. Managements want unions to be more flexible and union rules to be more adaptable to change.

²⁹ New York, Liveright Pub. Corp., 1938; also see "Jury Report Alleging Union Waste and Theft," *New York Times*, January 22, 1944 (and January 1, 1944).

Perhaps the strongest contention by management towards unions is that the unions restrict output and will permit only a limited, "easy" production and "featherbedding"³⁰ when much higher amounts could be produced.

Management considers a jurisdictional dispute, where two unions cannot agree which shall do certain work, an indication that unions are not only unable to run their own affairs responsibly, but also they cause interruptions in work in which the management is not directly involved. Management cannot understand why it should have to suffer from the faults of the unions as it views the situation.

Management wants unions regulated at least as much as it is, and if unions have such a large portion of the public as members, they become public organizations and should be regulated accordingly.

Management wants the highest possible production consistent with the good health and development of the worker. Progressive managements and unions both believe that the only way to obtain a higher standard of living is by production of more and more wealth at a lower unit cost of production and greater total wages for employees.

As wages are so important to both management and labor, they will be discussed separately in the following chapter. However, management also has definite views on other union demands.

Labor unions often demand the union or closed shop. At least during World War II they requested from companies and went to the War Labor Board for maintenance of union membership.

Employers usually have opposed the maintenance of membership shop before the National War Labor Board because they contend, among other things, that:³¹

1. The maintenance of membership is undemocratic.
2. Once a worker joins the union under such clause, he is not free to resign from the union if he chooses, thereby losing his free choice to leave the union if it does something he does not like, without losing his job.
3. The company has to "fire" the employee who may be a good worker and loyal to the management just because he does not pay his union dues.
4. The union, just because it does not like an employee, can expel or suspend him from the union and thereby cause him to lose his job if he is not thereafter a member of the union.

³⁰ "Featherbedding" results when the union demands that one worker "stand by" without working while another worker works on a job, or when production is limited.

³¹ See H. W. Prentis, Jr., *The Right to Work* (Armstrong Cork Co., Lancaster, Pa., April 20, 1943) for other reasons; also other opinions by employers before the National War Labor Board.

5. It is coercion affecting a man's "God-given" right to work at a lawful vocation of his own choosing, and it can prevent a man from that right to work without right of appeal to a "higher court."
6. Unions have not demonstrated that sense of responsibility which warrants such security as given by the maintenance of membership because they have had "wildcat" strikes and work stoppages; that they cannot be held legally to a contract once it is signed; that they have no unfair labor practices imposed on them by the National Labor Relations Act as employers have; and that union leaders dictate too much to their members.
7. It may cause inter-union conflict between majority and minority unions; that it "freezes" or exterminates the minority union; and that it prevents the minority and an individual employee from stating its or his opinion for fear of loss of membership and thereby employment.
8. Union leaders should not support unwarranted grievances and complaints even in a shop which is not closed or does not have a maintenance of membership.
9. It stabilizes union leaders in their positions and gives them greater possibilities to mistreat the workers, or rather not to serve the workers as they should for their own benefit and that of the workers.
10. Especially long service employees, loyal to the management, are "let down" by the management by the latter's agreeing to a maintenance of membership.
11. Well-established unions in England and Sweden, and the responsible railroad unions in this country, do not need maintenance of membership to guarantee union security.
12. It would cause the employer to discriminate against an employee³² if he resigns his membership in the union.
13. The maintenance of membership is a form of closed shop with the reasons against it.³³

Under the maintenance of membership, an employee does not have to become a member of the union; and, with a fifteen days' escape clause, those who are members can resign during the first fifteen days. So actually it is not a form of closed shop as described by the National War Labor Board as given previously.

³² Montgomery Ward's statement to the National War Labor Board in *New York Times*, March 2, 1943.

³³ For further objections to maintenance of membership see those given by the Industry Members of the War Labor Board, April, 1944, as given in *Chicago Tribune*, April 30, 1944.

Because employers contend that it is a form of closed shop, they object more strenuously to the closed shop. Therefore, let us examine their reasons for objecting to the closed shop.

One company which has had a closed shop for many years gives the following disadvantages:

1. The employees must, by agreement, forever pay tribute to the union in the way of dues or lose their jobs. They are permanently committed to union membership whether they like it or not.

2. Depending upon the type of leadership, there may be an opportunity for the union, due to their apparent power, to hinder the progress of the company technically and otherwise.

3. We must constantly insist that employees consult their supervision when seeking information or presenting grievances instead of taking the matter up with the union first, as otherwise this tends to make the union representatives appear more powerful than supervision in the eyes of the employees. We do not tolerate this sort of thing.

4. A closed shop carries with it many times the obligation to hire only members of the union or employees furnished by the union. Under our agreement, we must of course rehire in the order of seniority and ability any employees on layoff, but when these are exhausted we may hire whom we please. Avoid a labor monopoly by insisting upon freedom to hire whom you please if you do agree to a closed shop.

5. With a closed-shop agreement, we are often faced with requests that we use supplies, materials, services, in fact anything such as a load of sawdust, coal, lumber, gasoline for our trucks, etc., from firms employing A. F. of L. labor. However, we have maintained from the very beginning that we will favor such firms if the price, service, and quality are comparable to other available sources. You realize, of course, that our union truck-drivers cannot cross a picket line to load or unload materials, nor can they transport the product of a firm placed on the "unfair list." If you sign a closed-shop agreement, be sure to include your unrestricted right to buy any material, product, or service you require from any source. If necessary, you can compromise by agreeing to favor union products, supplies, and services if the price, quality, and service are comparable. Once they have obtained a closed shop, there is a natural tendency to tie the employer up to the use of union traffic only.

By properly providing safeguards in your agreement against the disadvantages we have listed, a company should have little difficulty from the closed shop and should be in a position to benefit from its possible advantages.

The tendency is for any company to speak in glowing terms of whatever labor set-up they may have; however, we sincerely believe that what we have outlined above are the facts as we see them.

A group of companies which opposes the closed shop gives the following reasons against it:

1. The closed shop violates spiritual principles because it denies the theory of individual personality and individual free will.

2. The closed shop violates economic principle, because it does not permit employment to be based primarily on individual ability, lowers quality and quantity of production, and thus unnecessarily increases production costs and prices to consumers.

3. The closed shop violates the American Bill of Rights because it denies to the citizen the free right to work at a job on terms mutually satisfactory to the employer and employee.

4. The closed shop vests autocratic powers in union leaders, and this power, coupled with the huge sums of money collected from unwilling as well as willing workers (and with no legal requirement to account for receipts and expenditures); results frequently in corruption, exploitation, and misuse of authority.

5. The closed shop gives union leaders virtual veto power over management—although these leaders have no responsibility for the welfare of the company or for its owners and workers, or for the community in which the plant is located.

6. The closed shop espouses discrimination and the destruction of equal competitive job opportunity.

7. The closed shop discourages individual incentive, initiative, and efficiency, since it tends to destroy the worker's normal motivation to demonstrate superior ability.

8. The closed shop provides a major obstruction to defense production; it insists upon an extension of its employment monopoly even at the cost of stopping vital production; it makes employment of defense workers contingent upon union membership rather than ability.

With these statements as a beginning, let us review the various reasons managements have given against the closed shop³⁴ in comparison to the reasons for the closed shop which were discussed in the previous chapter.

1. *Undemocratic.* The employee is deprived of the right to decide for himself the question of membership or nonmembership in the union. If the union does not possess sufficient merit and so conduct itself as to

³⁴ For arguments for the closed shop see Chapter 2 on "Labor Unions in a Democracy."

attract and retain its members voluntarily, it is not reasonable to ask the employer to force employees into membership. The National Labor Relations Act does not require an employee to belong to any organization if he does not choose to join.

2. *Undermines supervision.* Although legally employees have the right to present grievances to their employer at any time, unions ask their members to bring grievances to shop stewards. The shop steward, under a closed shop, then decides whether he will or will not present the employee's grievance to management. This places the shop stewards and union officers on a plane which seems higher to the employee than that of his foreman. Loyalty of the employee can be transferred from the company and its management to the union.

3. *Establishes a checkmate for management.* The closed shop places the union, which has neither investment in nor responsibility for the business in a position where it can checkmate the management's operating policies. Of course, this is also true under open-shop conditions when a strong union exists, the difference being that with an open shop employees dissatisfied with a checkmate can withdraw from the union without loss of employment.

4. *Creates a monopoly.* Since employment is made contingent on good standing in the union, all employees are committed to permanent union membership, thus giving the union monopolistic control over the labor supply.

5. *Weakens discipline.* Since employees feel that union officers are more powerful than foremen, it is difficult to obtain compliance with those foremen's orders which may be distasteful to the individual employee.

6. *Places workers' loyalty to union above responsibility to employer.* With good standing in the union a condition of employment, even though a worker may be contented with his work and satisfactory to management, the union has the power to bring about his discharge if his conduct is objectionable to the union. Therefore, the worker is forced to comply with union regulations even though he may feel that, by so doing, he is slighting his work or being disloyal to the management.

7. *Gives unions powers rightly exercised only by governmental agencies.* The right to tax and the right to police are not questioned when exercised by governmental agencies selected by the entire body of voters. However, these powers are not delegated by the government to a class or group of voters who might benefit for their own group by their exercise of these powers. To subject all employees to taxation and policing by a specialized group is not consistent with American democracy. Moreover, there usually is present the element of human weakness and

the strong temptation to misuse power to satisfy the greed and vanity of the individual rather than in the best interests of all concerned.

8. *Forces employees to pay tribute for the privilege of working.* Unless initiation fees, dues, assessments, fines, etc., are paid up, an employee is not in good standing in the union—and loss of such standing may mean loss of job. True, the employee may be able to find work elsewhere, but he is denied a free choice of employment unless he pays whatever tribute the union exacts.

9. *Unions fail to live up to agreements.* When management signs an agreement, it is binding upon the company and is backed by the assets of the company. Unions can be irresponsible financially and can violate their agreements, leaving management little or no recourse for the disruption which may have resulted from such violation. So-called “outlaw strikes” conducted with the sanction and encouragement of local union officers, but against the advice of the parent union, indicate the inability of the union officers to control. As a result, management may not have sufficient confidence in the ability or desire of locals to live up to agreements to warrant increasing the power of the local through closed-shop provisions. Also, union leaders have more opportunity to play “politics” under the closed shop.

10. *Makes strikes more serious.* When a closed shop is in effect, few, if any, rank and file union members can resist a majority demand, or even the demand of a strong minority, for going out on strike. Here again, the same condition prevails with a strong union under an open-shop provision, with the difference that an employee can conduct himself in such a manner as to incur the displeasure of the union without loss of job. If the government eventually takes steps to protect the right of every man to work, reducing the prospect of physical violence to the worker, his family, or his property, strikes under an open-shop condition would probably be less severe than at present.

Finally, the President of the United States said on November 14, 1941:

The Government of the United States will not order nor will Congress pass legislation ordering a so-called closed shop.

From this statement the National War Labor Board found a compromise—the maintenance of membership shop.

Unions usually want the checkoff of union dues along with the union shop or maintenance of membership, but management objects contending that the reasons against granting the checkoff are:

1. Traditionally it has been against management's policy to grant the checkoff of union dues from employees' pay.

2. Checking off union dues would make management serve as a collection agency for the union.
3. Management would be interfering with union activities in that the union would not have to perform the dues-collection function. If collections were not made as unions wished, additional grievances might occur.
4. The checkoff of dues would be more work and expense to the payroll and other departments to deduct dues because of added clerical work, forms, etc.
5. Though the checkoff might be a voluntary signing of a card by the employee, some "pressure" would probably be brought upon the employee to check off his dues. Because the checkoff has to occur only once during the life of the contract, there probably would be more pressure brought to bear than with the ordinary collection of dues.
6. After the checkoff had been granted, the union would then request more and more. Then there might be more "politics" in the union in all probability, as one of the functions of the union steward or representative is the collection of dues.
7. During the war, if a company went to the National War Labor Board on the checkoff issue, there was a slight possibility that it might not have been given the checkoff, as each case was handled individually by the Board. The usual pattern of the Board, however, was to grant the checkoff and maintenance of membership.
8. Some industrial concerns in the past have opposed granting the checkoff because they believed it would give too much power to the union, to the extent that the bargaining power would be unequal in favor of the union.

Other Management Views of Union Demands.—Management, also, has definite views on other union demands. With reference to grievances, management has foremen with whom the employee can at any time take up grievances and, in fact, anything else that he wants. The management does not want the employee or the union to "bypass" the foreman, but to deal with the first representative of management.

In arbitration, management wants to settle its difficulties within the company and does not want to go outside to settle anything on a general basis which may not apply particularly to the company, especially by someone who may not know much about it.

The strike is costly to both the management and the employees; both lose greatly, and it is not worth that loss when they both have to sit

around the conference table after the strike is over and settle it anyway. To management the loss of production, an unnecessary loss in its opinion, is the greatest detriment to profits, dividends, and cost of living to the employee. However, when management sometimes feels that it cannot prevent the strike, it will say that if the employees want it, it will give it to them until they have had enough not to do it again. Management answers with the lockout; the plant is closed, and employees cannot enter to work.

Management usually would prefer to promote and lay off employees according to merit and efficiency rather than on the basis of seniority. It contends that in a democracy each individual should have all the opportunity for advancement that his ability will warrant; otherwise, he will not have opportunity to progress up to his abilities. The best producers will produce the highest standard of living for themselves and the company. Therefore, management thinks that they should be permitted to do so and not be hampered just because they happen to be employed a few days, months, or years later than others who cannot produce as much. Ability should count heavily in a democracy. Possibly when a better basis of mutual confidence between management and labor has been developed both will want merit to weigh more heavily than seniority.

Managements are against the demands of unions for increased wages, vacations and holidays with pay, and better working conditions because they believe these increase the cost of production, with the result of either adding to the price of the product, which in strict competition cannot be done, or reducing dividends or profits, which may cause the company to fail or not progress. But are these demands necessarily unprofitable?

Management wants to know the facts about these things. With reference to vacations, for example, the National Industrial Conference Board found the "average" vacation plan in 1943 as follows:³⁵

1. An average vacation plan for *hourly* workers provides for 1 week of vacation after 1 year of service, and 2 weeks after 5 years of service. The usual vacation period for *salaried* workers is 1 week after service of 6 months and 2 weeks after 1 year of service.
2. Hourly workers, as a usual practice, receive vacation pay on the basis of 40 hours' straight time, salaried workers on the basis of their regular weekly pay without overtime.
3. Choice of the time when the vacation is to be taken is left largely to the employee.

³⁵ "Wartime Influences on Vacation Policies," Conference Board Reports, *Studies in Personnel Policy*, No. 56, New York, National Industrial Conference Board, Inc., 1943.

4. If an employee who is qualified by service for a vacation quits before the vacation period, he becomes ineligible for vacation pay. Exception is made in the case of employees called for military service.

5. Employees are not being permitted to accumulate vacation time from year to year, but those entitled to two weeks' vacation are usually allowed to split the vacation, if they choose, taking part at one time of the year and part at another.

6. Companies which normally shut down their plants during peacetime for general overhaul or inventory will follow last year's practice—there will be no general shutdown this year.

Many managements have found that the one or two weeks' vacation for employees has increased production during the year sufficiently to make up for the 2% of the year's wages for each week of vacation, as well as the loss of production during the vacation.

Usually, management looks to the unit cost of production as the final criterion, and is willing to pay the highest possible wages consistent with the lowest unit cost of production.

In summary, management wants:

1. A good personnel relations organization.
2. Sound personnel relations policies and principles of collective bargaining.
3. To keep the loyalty of all employees and protect the rights of the minority and individual employees.
4. Employees to have the free choice to join or not to join the union without interference or coercion from the union or any source.
5. Unions not to agitate or stir up trouble or difficulties but to be really democratic.
6. Union leaders to be responsible and of adequate service to employees.
7. To maintain its prerogatives.
8. Highest possible production consistent with the health and development of the worker without interruption.
9. The highest wages consistent with the lowest unit labor costs.
10. To be able to employ and keep in employment any employee whether he is a member of a union or not—not a union shop, maintenance of membership, or checkoff.
11. To handle the affairs of the company and settle them with its own employees and not an "outsider."
12. To promote and lay off employees by merit.
13. To make a profit and pay dividends.
14. Cooperation from the union and its leaders.
15. Greater efficiency and satisfaction for all employees.

Democracy in the Management of Personnel Relations

Although some things have been said about democracy in the management of personnel relations, does management recognize the democratic rights of the employees and strive to obtain acceptance of the responsibilities of a democracy? Little attention was formerly paid to the granting of democratic rights to the employees by the "hard-boiled" or "rule-of-thumb" management. Then, as the management of personnel relations became more systematic, more attention was paid to human rights and responsibilities. Time and conditions have formed management into its present pattern.³⁶ Today many of those who manage our factories are professional managers, doing their jobs according to the best professional standards and setting criteria which will obtain from the employee a high standard of work and the acceptance of the responsibilities of the democracy which gives him the rights and privileges he enjoys.

If a manager sets the good standards demanded by his customers or the public, or if during war and peace the government gives the manager certain specifications which must be met, how can the employees be granted very much freedom or very many rights? It may seem that the very nature of the organization of industry limits its possibility of granting democratic rights. But is it not true that within the framework of management or the government's standards the employees can be granted more democratic rights and privileges than were granted under the old rule-of-thumb type of management?

The pattern of the management of personnel relations has been described in the first part of this chapter. Then in a democracy the management of personnel relations should strive to grant all of the rights of democracy and endeavor to lead, not "drive," the employee to accept the responsibilities of such a way of life.

What are some of the activities in the personnel relations field that can make industry more democratic without relinquishing management's prerogatives?

1. Management can inform its employees of its personnel relations policies and discuss them with the employees, to whom it can at least grant the right to be heard on those policies.
2. Management can employ its workers more systematically, scientifically, or considerately so they will be better adapted to the company and the job, and thereby better satisfied in their work. Greater job satisfaction should result.

³⁶ For a more extremely modern pattern of the management of personnel relations, see *How "Jahco" Achieves Production*. Bedford, Ohio, Jack & Heintz, Inc., 1944.

3. It can determine the value of the jobs by systematic job evaluation, so that fair wages will be paid for those jobs according to the value of the job and the effort put forth. It can administer wages and salaries fairly.
4. It can promote on the basis of merit and seniority by means of ratings, tests, promotional charts, records, etc., and endeavor to eliminate "politics," personal favoritism, or family relationship if it exists.
5. It can determine the opinions of employees and base its policies and practices on these opinions within the limits of necessary standards.
6. It can bargain collectively with representatives of its employees freely organized and elected by the majority. It can be co-operative with labor unions.
7. It can provide training and education which will cause each employee to know his job well, to accomplish his utmost for himself and his company, and to develop himself.
8. It can provide for the health and safety of employees.
9. It can encourage suggestions from employees by adequate rewards and fair considerations, promote thrift, recreational activities, and other services which will advance the individuality of the employee.

These activities are definite things which the employer can do, so it is well to consider them in more detail, discuss past and present practices, and try to find how these activities can be made to give to employees the rights of a democracy and thereby cause them to accept the responsibilities.

In general, management should give to employees as many of the rights of a democracy in the company or corporation as it can and keep and progress in business; and then the employee should be willing to accept the responsibilities of a democracy.

Management realizes that labor wants a higher standard of living, more real wages, improved working conditions, shorter hours, employment, and old-age security. It knows that labor will endeavor to accomplish these wants by organization, recognition, collective bargaining, the closed shop, checkoff, and other means.

Can management give labor what it wants and still maintain its prerogatives, profits, and higher production?

If management is willing to cooperate with labor and the government and agree that more democracy is good for all concerned—for labor, management, and the government—and actively promote democracy;

and if labor unions will assume their rightful responsibility, be democratic in administering their own affairs and provide sound leadership; the author believes that a high or higher level of production can be reached and that reasonable profits, property rights, management prerogatives, higher wages, greater benefits, etc., can be maintained. This can be done with the advancement of management, labor, and the government. It will be done only in and by a stronger democracy.

Management has become professional. Certain progressive principles and practices have been developed which, if management uses them, can accomplish its reasonable purposes and give labor many of the things it wants. If a particular company's management does not employ them, it may not accomplish what it or others desire. The more progressive companies, modern-management-wise, will take the lead and surpass their less wise competitors. A better personnel relations program and personnel organization may be the only advantage one company has over its competitors.

CHAPTER 4

WAGES

Wages are extremely vital in personnel relations. Wages are the worker's principal purchasing power from which comes his standard of living. An increase in real wages means a higher standard of living. Naturally, every employee wants as high a wage or standard of living as it is possible for him to have.

To the employer, wages represent a large portion of the cost of his product, and a still larger portion of the value added by the manufacturing process. An increase in wages often represents to the employer an increase in the cost of his product, a decrease in profits or dividends, or perhaps an increase in the price asked for the product. Many employers want a low labor cost, or rather, as low a labor cost as possible that is still consistent with good industrial relations. That does not necessarily mean that the employer wants low wages, but may mean specifically that he wants a low labor unit cost of product.

Wages can be considered from many points of view and according to many theories. We could discuss the following theories¹ of wages:

Subsistence Theory—that wages are determined by the cost of providing subsistence for the workers.

Wage Fund Theory—that after rent and raw materials are paid for, a definite amount remains for labor and that that total wage fund and the number of workers determine the average worker's share in wages.

Labor Theory of Value—that the value of a commodity is determined by the quantity of labor expended on it during production.

Residual Claimant Theory—that wages represent the amount of value created in production that remains after the payment has been made to all productive factors other than labor.

Marginal Productive Theory—that wages are based upon the entrepreneur's estimate of the probable value that will be produced by

¹ For an explanation of these wage theories, see Dale Yoder, *Labor Economics and Labor Problems*, New York, McGraw-Hill Book Co., 1933; and various texts on economics. (The author realizes the limitations of trying to explain each theory in a line or two.)

a marginal worker; or the *Demand and Supply Theory*—that wages depend upon the demand and supply of labor.

Collective Bargaining Theory—that wages depend upon collective bargaining and the bargaining power of labor.

Standard of Living Theory—that wages are determined by the standard of living of the wage earners.

These theories have their place in the determination of wages. But when management and the freely chosen representatives of the labor union sit around the conference table with reference to an increase in wages many considerations, very vital to both groups, present themselves.

Some of the principal wage considerations which are usually taken into account for an increase or decrease in wages are as follows:

1. The standard and costs of living, and a comparison of those costs with the wages received and requested
2. The ability to pay—percentage of sales, decrease in dividends, sharing the profits, or price of product
3. The wages in the industry
4. The wages in the community, and comparisons among companies
5. Job differentials as determined by job evaluation
6. Individual differences among employees as determined by personnel ratings and tests; differentials between men and women workers
7. Collective bargaining and labor union differentials
8. Differentials in the management of personnel and labor relations and in wage plans
 - (a) Adequate management of personnel and industrial relations
 - (b) Wage incentives and bonus plans
 - (c) Special premiums for overtime, night shifts, and vacations
9. Governmental regulations:
 - (a) Wage and Hour Law—Fair Labor Standards Act
 - (b) Walsh-Healy Act
 - (c) Social Security Act, etc.
 - (d) National Labor Relations Act
 - (e) War Labor Board Rulings
10. Taxes
11. Business conditions and the labor supply
12. Other wage problems particular to the individual company, such as wage customs

In order to cover adequately a wage problem in a particular company, each and all of these considerations should be taken into account on any

wage adjustment. They are not given in order of importance, for at one particular time the cost of living may be the principal or most important consideration, whereas at another time it may be the rates in the industry, etc. From a practical point of view, one or all may not solve a company's problems or that of a union. These are not panacean considerations. Management and labor are both human and each may use those factors which are in its favor for or against an increase at the particular time of a wage demand or adjustment. The proper and fair adjustment of wages can result when both sides have obtained as many facts as possible about a problem, classified those facts adequately, and reached wise and human solutions of the problem based upon those facts and in good faith.

Wages and the Cost of Living

Much discussion about the standard and cost of living has always been held, but more significance was and has been attached to it during and since 1942 because wage increases were demanded and granted on the basis of the increased cost of living. Canada's law stabilizing wages which was based on the cost of living had some effect on considerations of cost of living in the United States.

On November 15, 1941, fifteen basic wages were stabilized in all except a few industries throughout Canada, and a "cost of living" bonus was granted to wage earners making \$25 or more per week at the rate of 25 cents per week for every 1% rise in the cost of living in terms of August, 1939, as an index of 100. This was in accordance with the terms of the "Wartime Wages and Cost of Living Bonus Order" issued by the Canadian Government on October 25, 1941.

Following Canada's lead, the cost of living was stressed in the United States as evidenced by the following extracts from President Roosevelt's message to Congress on April 27, 1942, on this subject:

... I list for the Congress the following points, which, taken together, may well be called our present national economic policy:

1. To keep the cost of living from spiraling upward, we must tax heavily, and in that process keep personal and corporate profits at a reasonable rate, the word "reasonable" being defined at a low level.
2. To keep the cost of living from spiraling upward, we must fix ceilings on the prices which consumers, retailers, wholesalers, and manufacturers pay for the things they buy; and ceilings or rents for dwellings in all areas affected by war industries.

3. To keep the cost of living from spiraling upward, we must stabilize the remuneration received by individuals for their work.
4. To keep the cost of living from spiraling upward, we must stabilize the prices received by growers for the products of their lands.
5. To keep the cost of living from spiraling upward, we must encourage all citizens to contribute to the cost of winning this war by purchasing war bonds with their earnings instead of using those earnings to buy articles which are not essential.
6. To keep the cost of living from spiraling upward, we must ration all essential commodities of which there is a scarcity, so that they may be distributed fairly among consumers and not merely in accordance with financial ability to pay high prices for them.
7. To keep the cost of living from spiraling upward, we must discourage credit and installment buying, and encourage the paying off of debts, mortgages, and other obligations; for this promotes savings, retards excessive buying and adds to the amount available to the creditors for the purchase of war bonds.

. . . .

In respect to the third item, seeking to stabilize remuneration for work, legislation is not required under present circumstances. I believe that stabilizing the cost of living will mean that wages in general can and should be kept at existing scales.

Organized labor has voluntarily given up its right to strike during the war. Therefore, all stabilization or adjustment of wages will be settled by the War Labor Board machinery which has been generally accepted by industry and labor for the settlement of all disputes.

All government agencies were guided by these policies.² Prices were regulated by the Office of Price Administration.³ The importance of maintaining a stable cost of living was further emphasized by President Roosevelt in a telegram from him to the War Production Board Conference on shipbuilding stabilization on May 2, 1942.

A few companies in this country have voluntarily or by agreement with trade unions set up plans whereby adjustments of wages are more or less automatic with the adjustment of the cost of living index. The principle underlying the plan, according to an analysis of twenty-eight such plans by the National Industrial Conference Board, is that for each

² *New York Times*, April 28, 1942.

³ "The General Maximum Price Regulation," *New York Times*, April 29, 1942.

specified change in the cost of living index, a corresponding change will be made in wages. Nineteen of these plans were incorporated in union agreements. The cost of living index of the Bureau of Labor Statistics for the particular city or nearby city is used. The General Electric Company had such a plan for a number of years but discontinued it on the signing of a new labor contract in 1941. There are some objections to pinning wages to the cost of living index.

From the standpoint of labor, it may stabilize too rigidly the standard of living which the employee obtains from his wages, even though the cost may change considerably. Labor objects because it wants to raise the standard of living higher. There is a great need for the establishment of *an adequate standard of living* and the development of the ways and means whereby at least that standard can be provided for every worker. There has been much discussion about what standard of living a worker should have. In ordinary discussions references are made to a *living wage*, a *subsistence wage*, a *cultural wage*, a *poverty wage*, or a *luxury wage*. Any statement of a standard of living which is general and cannot be specific is not adequate for determining what a worker should or should not have. Perhaps the most professional thought on this subject has been given by the Bureau of Labor Statistics of the United States Department of Labor. In June, 1920, the Bureau published what was commonly termed the "health and decency" standard of living for that period.⁴

An excellent research study on specific standards of living was made in 1936 by the Division of Social Research of the Works Progress Administration. Quantity budgets of goods and services necessary for a basic *maintenance* standard of living and for operations under *emergency* conditions were determined.⁵ Because of the difficulty inherent in establishing such a standard, ascertaining its cost, and keeping both standard and cost up to date, this study endeavored to set up a technique for determining the cost of maintaining an adequate standard of living at the lowest economic level. It established quantity estimates of goods and services necessary to maintain that standard for a male industrial, service, or other manual worker of small means, his wife who does all the work in the home, including cooking, cleaning, and laundry; and children of both sexes between the ages of two and fifteen, inclusive. Allowances were made for both psychological and physical needs. Because of

⁴ "Minimum Quantity Budget Necessary to Maintain a Family of Five in Health and Decency," Bureau of Labor Statistics, U. S. Department of Labor, *Monthly Labor Review*, Vol. X, No. 5, June, 1920.

⁵ Margaret Loomis Stecker, *Quantity Budgets for Basic and Emergency Standards of Living*, Division of Social Research, Works Progress Administration, Washington, D. C., 1936.

the depression at that time, an emergency standard was also set up, providing for the most essential physical needs only.

The maintenance and emergency budgets each contained detailed descriptions of the quantities and qualities of:

1. Food
2. Clothing, clothing upkeep, and personal care
3. Housing
4. Household operation (including fuel, light, and operation of small household appliances, ice, household supplies, telephone, postage, writing materials, water, and refuse disposal)
5. Furniture, furnishings, and household equipment
6. Medical care
7. Transportation
8. School attendance
9. Recreation (including newspapers, movies, organizations, tobacco, toys, and radio)
10. Church and other contributions
11. Life insurance
12. Taxes

These were subdivided into detailed quantities and qualities. The qualities and quantities set up for the emergency budget were about 25% to 30% lower than the maintenance budget.

In discussing the various standards of living, it is a difficult matter to define and give specifically the quantities and qualities necessary for determining a particular standard and its cost. The Bureau of Labor Statistics has kept the cost of living data for the maintenance standard up to date, and reports the actual dollar costs of living in thirty-three large cities for a four-person manual worker's family at this maintenance level.⁶

The general computation by the U. S. Bureau of Labor Statistics⁷ estimates that food accounts for 41.8% of the cost of living; clothing, 12.1%; rent, 17.3%; fuel, electricity, and ice, 6.0%; house furnishings, 3.1%; and miscellaneous 19.7%.

In 1943, labor attacked the cost of living estimates of the Bureau. The President of the United States appointed a tripartite committee of the War Labor Board to investigate what the cost of living in October, 1943 was, and how it compared with other dates, how the figure is

⁶ U. S. Bureau of Labor Statistics, *Estimated Intercity Differences in Cost of Living*, Washington, D. C.

⁷ *New York Times*, December 12, 1943.

arrived at, and if changes in the methods and concrete suggestions should be made.

Labor unions emphasized that the lower income groups spend a higher percentage for food, that they could not buy low price articles in 1943, that prices were higher in war plant cities than in key cities, and that quality had decreased. The U. S. Bureau of Labor Statistics maintained that its findings were correct.

However, it is important for an individual company to keep above the cost of living figures as given in the Bureau of Labor Statistics reports if it wishes to provide its workers with at least a maintenance standard of living. Although it is easy to say that a company should keep informed of the current cost of living in its own locality, there are many problems involved in doing this, especially if the city in which the company is located does not happen to be one in which the Bureau of Labor Statistics, the State, the National Industrial Conference Board, or some other organization makes a cost of living study regularly.

First, the general divisions in the maintenance budget must be weighted by a study of the budgets of the workers in that locality. This is a long, professional process of obtaining on a detailed schedule a representative sampling of all the receipts and disbursements of the families in the community. Each item is analyzed in detail. The most elaborate budgetary studies were made in March, 1935 for fifty-nine cities by the Division of Social Research⁸ of the Works Progress Administration. The data in this study form the basis for the present intercity differences in cost of living figures reported regularly by the Bureau of Labor Statistics of the United States Department of Labor. The Bureau also reports the changes in the cost of living each month in its bulletin "Changes in the Cost of Living," which is available to companies free of charge. The National Industrial Conference Board also publishes the changes in the cost of living in sixty cities each month.⁹ A company can obtain the cost of living figures from such bulletins and make and keep a running chart showing the comparisons of the relative changes in the cost of living and in various forms of wages—hourly, weekly, and annual.¹⁰

Though maintenance budgets may be known, are workers receiving sufficient wages to meet those particular standards? Perhaps the best study of consumer incomes in the United States was made by the

⁸ Margaret Loomis Stecker, "Intercity Differences in the Cost of Living in March, 1935, 59 Cities," Division of Social Research, Works Progress Administration, Research Monograph XII, Washington, D. C., U. S. Government Printing Office, 1937.

⁹ National Industrial Conference Board, *Management Record*, New York City, (published monthly).

¹⁰ See "The Value of Wages" *The Bulletin*, Waterbury, Conn., The Scovill Manufacturing Co., November 17, 1941, for an example of such comparison for one company.

National Resources Committee in 1935 and 1936.¹¹ This study showed that about a third of the families and single individuals received less than \$750 per year at that time. Over two-thirds received less than \$1,500. This situation changed during World War II.

The General Electric Company reported in the *New York Times* of March 6, 1942, that the average pay of 109,000 workers with that company was \$2,346 in 1941. Similar figures for two other large companies show that one was \$2,013 and the other \$2,200. All three were above \$2,000 and considerably (more than 25%) above the maintenance budgets established by the Bureau of Labor Statistics for the cities in which those companies are located. Such annual figures show where a company stands with reference to the maintenance budget for its locality.

THIS INFORMATION IS ONLY FOR STATISTICAL INFORMATION OF YOUR UNION			
Department _____	Occupation _____	Classification _____	A. B. C.
Hourly or piece rate _____	Average Weekly Earnings _____	Average Weekly Bonus _____	
Married _____ Single _____	If single, average cost of room and board _____		
If married, number of Dependents _____	Monthly Rent _____		
If owner of home, average of monthly cost of taxes, repairs, water rent or any other costs _____			
Number of rooms of dwelling _____	Average Cost of Heating _____	Type of heating equipment _____	
Type of fuel used _____	Cost of telephone _____	Cost of lighting, per mo. _____	Cost of clothing _____
Cost of food, per mo. _____	Cost of Recreation, per mo. _____	Type of recreation _____	
Do you own an auto? _____	Cost of car per year _____		

Figure 9. Union Questionnaire on the Cost of Living

Cost of living figures also can be used to settle wage disputes in other ways. In April, 1941, Revere Copper and Brass Incorporated had a demand for an increase in wages at its Baltimore Division because of a wage differential between that division and the Rome (New York) Division. This had been set up previously because of a differential in cost of living, production costs, and other factors. The discussion, however, centered around the cost of living. The Interstate Copper and Brass Workers' Union Locals No. 1 and No. 2 had the bargaining rights at the two plants in Rome, and Locals No. 3 and No. 4 at the two plants in Baltimore. The union passed out to its members in the four locals a questionnaire (Figure 9) asking each to give the cost of food, fuel, recreation, rents, etc.

¹¹ *Consumer Incomes in the United States*, National Resources Committee, Washington, D. C., U. S. Government Printing Office, 1938.

They also compared chain store prices in Rome with those of the same products in Baltimore. This did not seem sufficiently scientific. So the president of the Interstate Union and the vice president in charge of personnel and labor relations of the company went to Washington and asked the Head of the Cost of Living Division and the Commissioner of Labor Statistics to explain the technique of making a cost of living study, which they did.

The union then agreed to accept cost of living figures obtained by the Bureau of Labor Statistics. Further, it was agreed that the company would decrease the wage differential if there were no differential in the cost of living. The problem was to have the cost of living studies made for Rome, as the Bureau makes a cost of living study regularly in Baltimore. The company and the union wanted the facts on the cost of living at Rome, too, so they each paid one-half of the cost of having this study made. The Bureau of Labor Statistics had its representatives make an actual study of the cost of the various items: food, clothing, fuel, light, and ice; housefurnishings, rent, and miscellaneous items. After these were obtained for Rome (similar to those already available for Baltimore), many problems arose as to what budget to use, what weightings for the different items in the different localities, what market basket to use, etc.

For example, much depended upon what was considered to be a house. In Rome it is customary to have a separate dwelling as a home; in Baltimore they put many together. A comparison of rents in the two cities presented problems which could be solved only after thorough and systematic study and professional thought by the Bureau. From this discussion it is apparent that we need more good cost of living studies in this country. The Bureau of Labor Statistics and the National Industrial Conference Board have good procedures which are recommended.

From the study it was found that the budgets for the cost of living in Rome and Baltimore based upon the *Basic Maintenance Budget for a Family of Four* (as determined by the Works Progress Administration in 1936, and brought up to date by the Bureau) were practically the same. As the company had agreed to decrease the wage differential if the cost of living was similar, the management gave an increase in Baltimore. The problem was solved by these facts, even though the company had already been paying much more than the amount given in the budgets of the Bureau.

The discussion in this chapter on wages seems to present two main problems: (1) What should a worker's standard of living be? (2) How can industry and business be run so as to give all workers that standard? The first question cannot be answered by light thinking. It requires pro-

fessional thought by a group of persons experienced in the development of standards of living, as well as considerations by labor or through labor's representatives, managements through their representatives, and the government through the Secretary of Labor, Commissioner of the Bureau of Labor Statistics, and other bureaus. The second question involves a still larger challenge to business and industry. It challenges the whole democratic process. A company and its union has to consider other factors in the problem of raising, decreasing, or stabilizing wages. Beyond the cost of living are the questions of the ability to pay for an increase or how to decrease wages when warranted by a loss of business.

The Ability to Pay

Although the discussion of wage adjustments may center around the cost of living, an individual company cannot increase wages unless it has the ability to pay them. Wages come from the money received from the sale of the product. If a company has no production, it has no wages. In fact, if nothing is produced, nothing is for sale. In the end there is no company.

To the management, wages are a large part of the cost of production. The percentage that wages are of the value of the product and the value added by manufacture varies with different companies and industries. The percentage value of wages varies from 5% in the petroleum industries to 23% in the textile companies. Even within an industry the percentage which wages are of the value of the product varies. In two copper and brass companies making similar products, the wages of one were 19% of the total cost of the product, whereas the wages of the other were 36% of the cost.

Dickinson¹² found wide variations in the percentages which wages were of the value of the product for 1937: all manufacturing industries, 17%; food products, 9%; textiles, 22%; motor vehicles, 10%; motor vehicle bodies, parts, 21%; chemicals, 10%; petroleum refining, 5%; printing and publishing, 21%. The percentages which wages were of the value added by manufacture showed: 51% for all manufacturing industries; 38% for foods; 61% for textiles; 52% for motor vehicles; 63% for bodies and parts; 31% for chemicals; 37% for petroleum refining, and 53% for printing and publishing.

As these percentages vary so much, it is evident that the same percentage increase in wages for one company where wages are a small percentage of the value of the product is relatively more significant than in

¹² Z. Clark Dickinson, *Collective Wage Determination*, New York: The Ronald Press Co., 1941.

a company where wages are a large percentage of the value of the product. That is, relatively, if a petroleum refining company were to double wages, the per cent which wages would be of the value of the product would be only about 10%, whereas in textiles, doubling the wages would increase the percentage of the value of the products which wages were to 44%, of course, with some variations from these percentages.

Similarly with smaller percentages of increases. For example, an increase of 10% in petroleum refining would mean only an addition of one-half of 1% to the percentage which wages would be of the value of the product, whereas in textiles, an increase of 10% in wages would represent roughly a 2.2% increase in the percentage which wages were of the value of the product.

The most vital question which labor asks is whether the company is able to pay, especially if the company is making a profit. This raises the very controversial subject as to what the workers' share in the income of the company should be. Should an increase in wages be paid before an increase in profits is made or should a company increase dividends before it pays more wages? In recent years, particularly before the war, a number of employers would have liked to raise the wages of their employees, but the nature of their product or services was such that the margin of profit was small, and if they had to add the increased wages to the price of the product, purchasers of the product, and recently the government, would have reduced their orders. In the end the situation would have been disastrous to those companies, because they had to sell their products to have money to pay wages.

It may be said that those companies can improve their methods and equipment. This is not always as easily done as said. There is room for improvement in most companies, and the unit cost of production can be decreased by the improvement of methods, equipment, purchase of materials, and by personnel and labor relations activities.

This brings us to the Number One Philosophy of wages, as the author sees it, the philosophy of *high wages and low unit cost of production*. A specific example of such a philosophy is given in a statement by the president of one large company as follows:

The output per unit has been doubled, the quality has been improved, and the working conditions for the men have been tremendously improved. . . .

. . . Ten years ago our hourly base rate was 32 cents per hour, now it is 71 cents per hour.

You may wonder how we could meet these rising rates and still survive, but the theory of modern industry is to reduce continually costs by mass production and technical improvements, distributing the

savings, partly to the worker in increased wages, and partly to the public in reduced prices for our products. The increase in wages raises the standard of living and the decrease in prices of our products broadens the market, enabling more people to purchase. This starts another cycle of increased production which further reduces cost. We also have to provide wages for the capital or savings which are invested in the business and make it possible, and we have to provide capital for modernizing or expanding our plants. . . .

While this is a specific example, it seems evident that a company must keep on the alert for rapid changes in all phases of its business. It must be "on its toes" and keep improving the output per unit of its machinery and equipment. The quality of its product must be constantly improved to meet stricter specifications; working conditions for the men must be constantly improved; sales methods must be revamped to meet changing conditions, to the end that every phase of a modern business must keep pace with modern conditions. Change will always be taking place.

The methods of paying high wages and reducing the unit cost of production may be exemplified by the experiences of a gear manufacturing company. One department of a company manufactures sixteen gears in eight hours. Wages are 50 cents an hour, making a total labor cost for the eight hours of \$4.00 for sixteen gears, or a unit labor cost of 25 cents per gear. By improved methods of setting the gear cutter and handling the gears, it was possible to produce twenty gears in the eight hours and the company increased wages to 55 cents per hour, or a total labor cost of \$4.40 for twenty gears, or a unit labor cost of 22 cents per gear, not considering the decrease in overhead cost per gear. In this case there was an increase in wages with a decrease in unit labor cost. It would have been possible to increase wages to 62½ cents and still keep the labor unit cost per gear the same as it was—25 cents. (That is, twenty gears produced in eight hours at 62½ cents per hour would be a cost per gear of 25 cents.) It may be asked, why should not the company decrease the price so the worker would benefit by that decrease in price? The worker in the gear plant may not buy gears. Therefore, if he does not buy gears, he will not profit by the decrease in price, even though the worker in another company may. From a social point of view, however, the argument would be good.

The theory of high wages and low cost is again exemplified in a paper plant of medium size, where output per machine-hour was increased 38% and labor costs were reduced 30%, with the result that the individual employee earned 22% more in wages than he had previously.¹³ The

¹³ N. M. Perris, "High Wages-Low Costs," *Factory and Industrial Management*, July, 1930, pp. 47-48.

manufacturing process takes paper board in various sizes, weights, and cuts; creases, prints, and glues this paper board into boxes. The study of machine time led to the proper operation of the machines. The correct placing of men and the definition of their work made it possible to keep them operating at their best speed. The results are shown in Figure 10.

The experience of the Lincoln Electric Company¹⁴ of Cleveland shows large increases in wages because of low labor unit cost. In a decade the average worker's total pay went from \$1,996 to \$4,879, while the productivity per man went from \$6,107 to \$25,025. A Lincoln welding electrode that sold for 16 cents a pound in 1929, sold for 4.8 cents a pound in 1942. Substantial bonuses have encouraged employee initiative to the extent that improvements in production method and design have come from employees as a result of the incentive pay.

These instances are not exceptional, as shown by Figure 11, which emphasizes that in general while hourly earnings were going up since 1899 the man-hours and labor cost per unit of production were decreasing. High wages and low unit cost have been an actuality. Figure 12 also emphasizes that from 1939 to 1943 labor cost per unit of output did not rise as fast as production and payrolls.

In these and other respects Carl Snyder¹⁵ has stressed the relation of high wages and prosperity as follows:

We now have ample statistical evidence to establish the following propositions:

1. Taken broadly, real wages are determined by the product per worker, and are a fairly fixed share of the value of the product. Unless, then, the product can be increased, the level of real wages cannot.
2. The product per worker is determined in the long run by the capital investment per worker, which makes possible the use of new machinery, new processes, and new methods of production.
3. The rate of growth of capital investment and of aggregate product has been approximately the same in this country for a century or more, indicating that an increase in product is dependent on the provision of additional capital.
4. The rate of growth of total wages and of total product has been nearly the same, so that over long periods the share of the product going to labor has remained nearly constant.

In some plants it would be more difficult to effect such a change to a lower labor unit cost and increased wages. These instances are a chal-

¹⁴ *Time Magazine*, June 8, 1942, p. 82.

¹⁵ Carl Snyder, *Capitalism the Creator*, New York, The Macmillan Co., 1941, pp. 171-172.

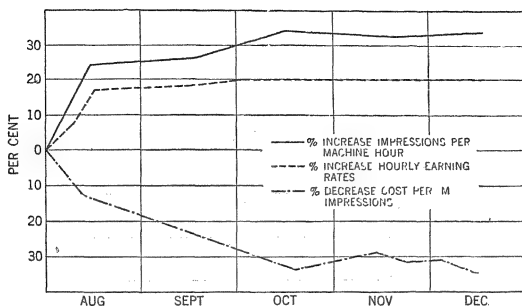


Figure 10. High Wages and Low Unit Cost of Production in a Paper Plant

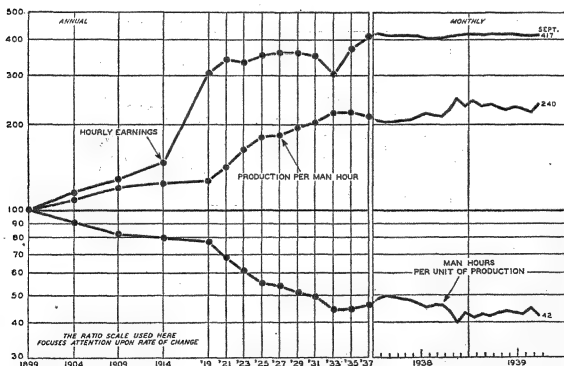


Figure 11. Hourly Earnings, Production per Man-Hour, Man-Hours per Unit of Production—Manufacturing Industries, 1899–1939

(National Industrial Conference Board, *Enterprise and Social Progress*, New York, p. 226. Data sources: U. S. Bureau of the Census; U. S. Bureau of Labor Statistics; Federal Reserve Board; National Industrial Conference Board.)

lenge to management to keep abreast or ahead of the best methods used in its industry. It has been done and can be done in the future. This will call for bigger and better managers, engineers, scientists, labor, etc. If labor organizations can do it, that is a challenge to management. It is the author's belief that wages can still be increased through increased production, decreased unit labor costs with maximum turnover of the product

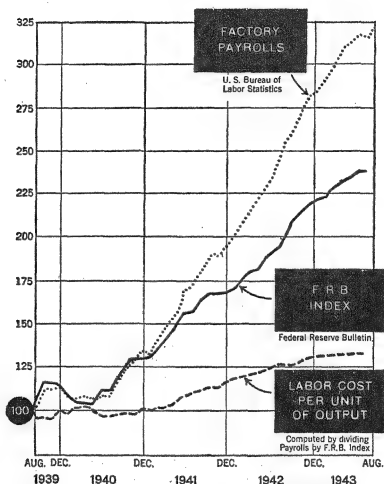


Figure 12. Labor Costs per Unit of Product in Manufacturing
(August, 1939 = 100)

(National Association of Manufacturers, *Reconversion and Re-employment Problems of American Corporations*, New York, December, 1943.)

in the market at minimum prices, with greater service to the greatest number of people.

In wartime the price of a product was practically frozen, and the price for which that product was sold was again practically frozen. In other words, a company was caught between the price it paid for its materials and the price for which it sold the product, with a demand for increases from labor. There was and still is nothing in the regulations which prevents a manufacturing concern from improving methods and equipment.

Because of these situations, management hesitates to increase wages until it knows whether it can increase them within the bounds of making a reasonable profit and paying reasonable dividends. There has been considerable discussion on automatic increases and decreases in wages according to the increase or decrease of production, sales, profits, and prices.

Should an automatic adjustment of wages be based upon the money received from the sale of the product? Wages cannot be paid for very long unless there is money with which to pay those wages.

Automatic Wage Adjustment Plans and Profit Sharing.—Some form of automatic adjustment of wages calls forth greater effort and loyalty on the part of the workers when they share the income from an increase of sales, profits, or prices. Company executives who have established profit-sharing or automatic wage adjustment plans have emphasized that they improved morale and decreased scrap, repairs, labor turnover, and accidents. Yet lofty as these purposes may be, it should not be forgotten that of the 161 formal profit-sharing plans studied by the National Industrial Conference Board, only 50 are still active, 15 are inactive, and 96 have been discontinued.

Profit-sharing or extra compensation plans can be divided into:

1. Straight profit sharing
2. Percentage of sales
3. Guaranteed income

Under straight profit sharing, the employees get a certain share of the profits ranging from 5% on the net profits to 33⅓%. The Westinghouse Electric & Manufacturing Company was an example. When the net income of the company for a preceding quarter was \$600,000, the employees received their base rate of pay during the next succeeding month. For each monthly increase of \$60,000 in earnings above this amount, each employee received an increase of 1% of his base wage or salary for the succeeding month.

The Rome Cable Corporation (Rome, New York) has an employee dividend-sharing plan. Each employee's dividend is figured by taking the wages for the previous calendar year, and dividing that amount by the book value of each share of common stock. The resulting figure is the number of participating units on which the employee receives a dividend at the same rate per unit as per share when and as paid to the stockholders. The percentage of participation is adjusted by the service rating, up to three years and over, when the employee participates 100%. For example, if an employee receives \$1,100 in wages and the book value

of the common stock is \$11, that employee has 100 units of participation. If a dividend of 10 cents per share of common stock is declared, then that employee receives a dividend of \$10, if he has been with the company over three years.

The Rome Cable plan is in some respects similar to the Eastman Kodak plan, except that the Eastman wage dividend is paid only after a certain amount is earned on the common stock.

The profit-sharing plans of other companies are given in the survey of Profit-Sharing Plans by the United States Senate Committee in 1939.¹⁶

A second type of wage-sharing plan is one under which wages are based upon a certain percentage of the amount received from the sale of the product. An excellent example of this is the Nunn-Bush Shoe Company of Milwaukee. It found that wages equaled 20% of its sales during the last five years before the plan was established. It agreed to pay the workers 20% of all sales. Then as receipts increased and decreased, the total amount paid to workers increased and decreased almost automatically. In addition to the straight 20% for wages, it also has reductions and increases in accordance with the profits made. The total wage fund for the period under consideration is divided into the number of weeks in the period so that an employee for that period, such as a year, receives a check for the same amount each week. However, it is the desire of the company to make a sliding scale of wages received based upon the income of the company so that as business increases, increases in wages will be given automatically.

A study of the per cent which wages were of sales in two companies revealed the percentages as shown in Table 2. This shows that the mill payroll in Company A was an average of 40% of the fabricating sales for eight years with an average variation from that percentage of 1.43%. In general, the acceptance of a wage plan based on sales would level the fluctuations to the established percentage. Yet the total amount of wages would vary according to the amount received from sales. This would also give a constant percentage at which to figure the cost of labor.¹⁷

The vice president of one company suggested a plan to base a sliding adjustment of wages upon the differential between the price paid for material from which the product was made and the price for which it is sold.

All of these figures indicate that wages might be adjusted automatically by basing them upon a fixed percentage of sales, so that when the

¹⁶ "Survey of Experiences in Profit Sharing and Possibilities of Incentive Taxation," Report of the subcommittee of the Committee on Finance, United States Senate, Washington, D. C., U. S. Government Printing Office, 1939.

¹⁷ Carl Snyder, in *Capitalism the Creator*, *op. cit.*, found that over long periods the share of the product going to labor has remained nearly constant.

TABLE 2. WAGES AS A PERCENTAGE OF SALES

COMPANY A

Year	Fabricating Sales	Mill Payroll	% Mill Payroll of Fabricating Sales
1932	\$ 7,240,778.75	\$ 2,883,269.28	40.00%
1933	9,166,927.62	3,532,907.66	38.50
1934	12,398,914.99	4,764,457.98	38.50
1935	14,634,651.58	5,864,537.57	40.00
1936	20,473,731.97	7,869,860.54	38.00
1937	24,078,777.37	9,800,606.78	41.00
1938	14,682,476.36	6,557,194.76	45.00
1939	22,482,125.57	9,127,228.05	40.00
Total	\$125,158,384.21	\$50,400,062.62	40.00%

COMPANY B

1932	\$ 1,325,143.34	\$ 422,362.64	31.87%
1933	1,984,653.97	504,933.30	25.44
1934	2,672,308.17	632,784.60	23.68
1935	3,107,728.43	732,295.48	23.56
1936	3,970,560.00	934,224.33	23.53
1937	4,498,805.46	1,120,505.12	24.91
1938	2,518,585.64	702,515.06	27.89
1939	2,890,179.18	800,382.19	27.69
Seven Months			
1940	2,601,536.69	678,168.12	26.07
Total	\$ 25,569,500.88	\$ 6,528,170.84	25.53%

money received from sales goes up, wages do likewise. This adjustment could be made every three months, at the time of the regular financial reports of the companies.

The third type, the guaranteed wage plan, is not strictly profit sharing. General Motors guaranteed to every employee having five years of service, or more, 60% of his standard weekly earnings. If he did not receive 60%, the difference was advanced by the corporation, and repaid by the employee when the employee returned to work and again received more than 60% of his standard weekly earnings.

Procter and Gamble simply guarantees forty-eight weeks of work and makes up the difference if they do not have that much work available. The Armstrong Cork Company plan is similar to the General Motors plan.

The Anaconda Copper Company paid wages based upon the price they received for copper. As the price of copper rose, they increased

wages; as the price declined, wages came down. Difficulties ensued when there was a stabilization of price during the war and a demand for increased wages because of the increased cost of living.

This emphasizes the difficulty of pegging wages to price, profit, cost of living, or some other factor which may become stabilized at the time when there is a desire for increased wages. In general, in determining what is a fair share of the profits for workers, it should be remembered that they want as much as they can get and leave a fair profit and dividend. If wages are considered as purchasing power, then the highest possible wages would give workers a greater purchasing power to buy what is produced.

Today employees know more about the company's affairs than they did previously. Many companies publish quarterly reports if they are on the New York Stock Exchange. Many print annual financial reports to job holders, giving in plain language understandable to the employee, the report of the financial condition of the company each year. So the employees know, in many cases, what the profits of the company are.

A question which will always be with industry is to what extent should employees share in the income of a company. If industry is not allowed to make a profit, individual initiative may be considerably stifled. If profits are greatly limited, investments may decrease or be limited unless backed up by governmental loans. This, again, is a problem for settlement by the democratic process, and perhaps should result in as high a wage as possible for the worker, a fair profit for the investor, reasonable salaries for the management, and reasonable regulation by the government of all parties and industry. Other wage considerations may throw some light upon the bearing both the cost of living and the ability to pay will have upon wages.

Wages in the Industry

The industry in which a company finds itself may have a decided influence upon the wages which that company can pay. The comparison of the individual company's rates¹⁸ with those of the industry are important considerations in a wage increase or decrease. For example, wages in the textile industry are very much lower than wages in the automobile industry. The price which can be obtained for the product may make it necessary to pay the low wages because of the competition of other or

¹⁸ For comparison of wages in different industries and wages in general, see *Monthly Labor Review*, Bureau of Labor Statistics; and *Management Record*, National Industrial Conference Board. Also cost of living data are given in these periodicals. See especially "Trends in Factory Wages, 1939-41," *Monthly Labor Review*, November, 1943, p. 869, etc.

similar products. It has been found, upon excellent legal advice from two sources, that companies in an industry may get together and exchange wage information, as long as it is not used for collusively setting a definite wage or limit on any occupation or for the industry as a whole.

The consideration of wages and the bargaining for them by industries, similar to the bargaining in England by labor organizations and employers' organizations of industries, have been encouraged from time to time by government officials and bureaus. Under strictly competitive conditions, it has been difficult for companies in the same industry to get together without divulging the trade secrets of any particular company. This has caused reluctance on the part of companies to cooperate more closely in a certain industry to bargain on wages. Some industry associations, such as the Metal Trades Association, the Copper and Brass Research Association, and the Automobile Manufacturing Association, have collected and dispersed information on wages. The Department of Labor makes industry wage surveys from time to time.

Some large companies initiate surveys of wages in their own industries and distribute the results to the companies in the industry which contributed the information. Labor unions obtain wage rates from their members, and the various unions in an industry exchange wage information.

Since both labor and management usually know the wages which are paid in the industry, a more systematic and definite approach should be made to obtain adequate wage information in the industry for the consideration of wage increases or decreases.

Wages in the Community

A company should also consider the rates in the community before raising or lowering wages. If the company is located in a small town where the cost of living is not so great as in a large one, or if the town is located in a part of the country where the cost of living is less, these facts may play a part in determining wage rates. If an automobile company is located in a center where the other companies are principally textile companies, this fact may have a bearing on increases and decreases in wages. In one town in New England a company in one industry pays almost twice as much as that in another industry.

Information about wages in the community is sometimes obtained by the Chamber of Commerce, the Manufacturers' Associations, and by labor from the members of the union. Again, a more definite and systematic approach would seem desirable in obtaining accurate information

about community rates. During the war the War Labor Board developed "tested and going" rates in communities.

Comparing rates of different companies in a community presents many difficulties. For example, the occupations in one company may differ greatly from the occupations in another. There may be only a few similar jobs in the community. It would be especially difficult to compare the wage of a *roller* in a brass company with that of a member of a yard gang in a coke plant. There are some bases, however, upon which the rates can be compared, such as the minimum base rate paid in each company. And there are some occupations, such as machinists, electricians, sweepers, etc., which are found in most industrial companies. Cooperation among the labor groups, the managements, and the governmental agencies could establish a more systematic and definite study of community rates.

Other Wage Considerations

Besides consideration of the cost of living, the ability to pay, and the wages in the industry and community, there are other factors to be considered.

Job Differentials.—One of the chief causes of wage difficulties within an individual plant is that of wage differentials on different jobs. One employee will say that his job is worth as much as or more than the job on which the man next to him is working. How shall such job differentials in rates be determined? What is a fair day's work and a fair day's pay? In recent years job evaluation has been developed for determining values or relative values of different jobs. Job evaluation¹⁰ by the *ranking method*, the *point system*, or the *factor comparison method* has been found satisfactory. The systematic evaluation of jobs depends greatly upon the administration of the job evaluation plan. A good plan can be administered poorly. A good job evaluation plan properly administered will do much to settle job differentials better than most plans based upon opinions or custom.

Individual Differences.—Many wage grievances center upon the comparative skill of employees. One employee working on the same kind of a job as another employee may contend that he should receive a higher wage because the quality of his work is better. To take care of this difficulty, personnel rating systems, as described in a following chapter, have been developed and used to settle wage difficulties based upon the

¹⁰ See Chapter 6 on Job Evaluation.

worth of employees. For a discussion of wages for women workers, see Chapter 15, Women and Special Groups in Industry.

Collective Bargaining.—We can see from all the points presented in this discussion, that many of the questions with reference to wages, in fact practically all of them, can be settled only through cooperative consideration—collective bargaining. Collective bargaining is one of the most important factors in determining wages. This depends first upon the kind of an organization the employees have. There are union differences upon which wages may partially depend. If the union is anti-management, it may be more difficult to settle wages, because of management's lack of confidence in the union. There are differences between the C.I.O., the A. F. of L., and independent unions. The effect of the union in bargaining will be determined partially by the strength of the union and its bargaining power. Also, the cooperative relationship among the different unions and a corporation or an individual company has its effect. Good faith on the part of both management and the union is the keynote in discussing wages. Without it, difficulties on wages will ensue.

Differences in the Management of Personnel and Labor Relations.—As there are differences in unions, so are there differences in managements, particularly in the management of personnel and labor relations departments. There are certain bodies of facts and principles which, if used, will present more facts on wage problems. A company should have someone or some department in its organization to obtain the facts about wages, and to use them fairly. These specialized departments of personnel and industrial relations carry on their functions in the same manner as the sales department carries on its work, the purchasing department its work, and the engineering department the engineering function. Every company, large or small, should have a definite functional program relating to wages. This involves not only the personnel and labor relations functions with reference to wages, but also adequate wage incentives, bonuses, and other considerations of this nature.

Considerable discussion in recent years, especially during World War II, centered around the problem of extra compensation for night-shift work. This wage problem brings up the following two questions:

1. Should differences in rate of pay be made to workers performing similar operations on different shifts?
2. Should extra financial attractions be provided for the night shift, particularly the 12 M. to 8 A.M. shift, commonly called the "graveyard" shift?

These problems have arisen because it seems natural for a person to work during the day and sleep during the night. A night shift is any shift which includes any hours between 6 P.M. and 6 A.M. Working at night upsets the natural routine of living, so that an employee works when others sleep, and sleeps when others work or play.

In one company all employees who work on the night shift are paid 5% per hour premium above their position rate for all hours worked, except that the premium shall not be less than 3 cents per hour. This premium paid is for night-shift work, because it is believed that some extra compensation is due the employee for the inconvenience to his natural way of living and for the physical and psychological readjustment made necessary by working at night.

Does working at night affect physical well-being? In one company there were three times as many reports to the first-aid room on the night shifts (46% of the employees on those shifts) as there were on the day shift (15%) because of claims of sickness. In the order of their prevalence were complaints of stomach disorders, headaches, and eye strain. Upon investigation of the causes of these complaints, the company found that workers on night shifts did not maintain as regular habits of sleep and recreation as those on the day shifts. Some did extra jobs when they should have been sleeping. Older employees who have been on a night shift for some years have accustomed themselves to the routine of that shift to the point where no difficulties occur. Some even prefer the night shift because it leaves their days free for their own recreation and activity.

Another important question is, Can a company afford to pay a premium for the night shifts? One company maintains the following bonus efficiency ratings by shifts:

- 8 A.M. to 4 P.M. shift—122% efficiency
- 4 P.M. to 12 M. shift—122% efficiency
- 12 M. to 8 A.M. shift—120% efficiency

These figures show no greatly significant differences in the efficiencies of the various shifts and do not warrant the payment of an extra compensation for the night shift from the standpoint of actual production. In some companies which have a well-regulated bonus system, the production on the night shift is not, or but slightly, different from the day shift. One company does not rotate shifts because the rotation of shifts continually requires the employees to change their habits of living with each change. When a person is employed for a definite shift, he knows and understands that he will have to make the adjustment to the night shift. And if the employee accepts psychologically this fact and makes up his mind to make the necessary adjustment accordingly, the company

does not find much difference between the shifts until about the time good weather begins in the spring. Then there are from 10% to 15% requests for changes to the day shift. This comes more from the younger employees than from the older ones and is largely caused by the lack of recreational activities for the night shift. Perhaps more attention should be paid to providing such facilities for the night shifts. Another large electrical company has the policy of paying 10% extra for the night shifts.²⁰

To summarize, the reasons for and against paying a night-shift premium are:

For:

1. The night is the natural time for a person to sleep, and working at night necessitates a psychological and physical readjustment which should be compensated for in some way.
2. More headaches, more stomach trouble, and greater eye strain, physically and psychologically, occur on the night shifts.
3. The 4 P.M. to 12 M. shift eliminates the possibility of normal evening recreation.
4. A number of companies with a reputation for good management pay extra night-shift premiums.
5. Night work is much less desirable to many individuals than day work.

Against:

1. Production does not increase on the night shift; in fact, in many cases it decreases. Therefore, from the standpoint of actual results, no increase should be given to those doing similar work on the night shift.
2. The reasons are greatly psychological and could be prevented by training the emotions and by adaptibility to the night shift.
3. If employees are hired definitely for the night shift, and thoroughly understand before employment that they will be on night-shift work, less difficulty will result from night-shift assignments.
4. Some employees actually prefer the night shift, so that they can have their days free for work or recreation.
5. The day worker wants to know why the same job is any more valuable in the night than in the day time, and why he should not receive as much pay as the night shift.

²⁰ For survey of night-shift operation in 193 companies, see National Industrial Conference Board, *Shift Operations Under Defense Conditions*, New York, Studies in Personnel Policy, No. 35, May, 1941.

It can be seen that there are valid arguments for and against the payment of night-shift premiums. Obviously, this must be settled on an individual company basis, after studying all the facts as they bear upon that company, the differences in production, physical and mental difficulties, preference of the employees, etc., and then settled through collective bargaining or the sound judgment of management based upon those facts.

Wages Under Governmental Cooperation

All of these considerations of wages must come within the bounds of governmental regulations. During World War II the paramount rulings with reference to wages were those of the National War Labor Board, established on January 12, 1942, by Presidential Order. On certification by the Secretary of Labor, wage matters were decided by the Board within the national wage stabilization policy established by President Roosevelt in 1942. The War Labor Board at first considered each wage case on its merits. In the "Little Steel" case, the Board gave the following as the guiding principles in deciding claims for wage increases:

In full recognition of its grave responsibility to the nation, and for reasons later detailed in this opinion, the National War Labor Board has determined that the following guiding principles should be applied in evaluating claims for wage increases:

(1) For the period from January 1, 1941, to May, 1942, which followed a long period of relative stability, the cost of living increased by about 15%. If any group of workers averaged less than a 15% increase in hourly wage-rates during or immediately preceding or following this period, their established peace-time standards have been broken. If any group of workers averaged a 15% wage increase or more, their established peace-time standards have been preserved.

(2) Any claim for wage adjustments for the groups whose peace-time standards have been preserved can only be considered in terms of the inequalities or of the substandard conditions specifically referred to in the President's message of April 27, 1942.

(3) Those groups whose peace-time standards have been broken are entitled to have these standards re-established as a stabilization factor.

(4) The Board, as directed by the President in his April 27 message, will continue to "give due consideration to inequalities and the elimination of substandards of living." . . .

The guiding principles outlined above insure, in general, that claims for wage-rate adjustment can be considered on an equitable basis and in a manner which will further the national purpose to stabilize the cost of living.

The "Little Steel" formula was used as a pattern for the Board's decisions on wages. The Board's powers were strengthened by the Executive Order ²¹ of October 3, 1942, by the President of the United States which gave the Board and the Economic Stabilization Director the full power to stabilize wages. The passing of the War Labor Disputes Act (Smith-Connally Bill) on June 25, 1943, also strengthened the Board's powers.

Although the War Labor Board reaffirmed its stand on the "Little Steel" formula on March 22, 1943, organized labor took a stand against the Board's wage policy. The A. F. of L. members of the W.L.B. maintained that the Board was not using the formula, and thereby had frozen wages completely, although the cost of living was not stabilized and had even risen since May, 1942. Because they wanted an elastic wage policy, they petitioned to have the Board abandon the "Little Steel" formula. This was refused in early 1943 because it was felt by the Administration that scrapping the formula would result in a breakdown of attempts to keep the cost of living stable.

Besides the "Little Steel" formula, the War Labor Board in 1943 set "wage brackets" for various occupations by taking the weighted average of the employees in the companies of that area and making a bracket of wages 10% above and below that average. The Board also stabilized wages with respect to individual merit increases, substandard wages, and inequalities in wage rates.²² The Board further considered wage increases in the light of the effective prosecution of the war.

Although the factors and formula mentioned were given consideration, the full facts were considered by the Board with reference to each case brought before it, and the decisions made were based upon facts determined by a fact-finding panel appointed by the Board, as well as the Board itself.

Other considerations with reference to wages must come within acts of Congress such as the following:

1. The Fair Labor Standards Act (Wage and Hour Bill) which sets the minimum wages and maximum hours.
2. The Walsh-Healy Act which gives requirements for companies having governmental contracts.
3. The National Labor Relations Act which guarantees to labor the right to bargain collectively on wages by representatives of their own choosing.

²¹ "Executive Order Stabilizing Living Cost by Wage and Price Control," by the President of the United States, reprinted in *New York Times*, October 4, 1942.

²² For such wage regulations, see the National War Labor Board general orders and explanations, especially General Order 31.

These and other governmental acts must be considered in the establishment of wages; otherwise, a company establishing wages without regard to them may find its act illegal. Besides the federal regulation of wages, the government levies taxes upon each concern, and the amount of these taxes affects the wages that company pays. As taxes are based upon profits (other than those on physical property), wages really come first.

Business Conditions and the Labor Supply

Wage considerations also involve business conditions, from the standpoint of the amount of money received by the company for its product and the demand for that product. In times of depression business is bad, and it is impossible to pay the same wages as in good times. When business is slack, the supply of labor is usually plentiful. In prosperity or in a war period, the supply of labor is low, which may increase the wages in occupations according to the demand for that labor. All such matters must be taken into consideration at the time an increase or decrease in wages is being given. Also, special company wage problems present themselves. For example, through the years certain customs have established rather definite rates on certain occupations or in the company as a whole. These customs must also be considered in making wage changes.

In general, many wage problems have come up and they will continue to arise. They can be settled, first, by the philosophy of high wages and low labor unit cost through the improvement of methods, equipment, personnel and labor relations activities, and the various functions of management and production; and, second, through a cooperative solution of the wage problems by labor and management's bargaining collectively to find the facts upon which to base the sound solutions.

With the highest possible production from the payment of the highest wages and lower unit labor cost, a greater democracy can be developed. Low wages will not bring forth the necessary effort for the highest production needed in peace as well as in war.

PART III

PERSONNEL RELATIONS TECHNIQUES

CHAPTER 5

EMPLOYMENT

One vital part of an adequate personnel relations program is the employment of the best employees for the jobs available and to be available. If an inefficient worker is hired, then good management will not be able to accomplish as much as it expected with him. If an efficient worker is employed, then good management can improve or maintain that efficiency by adequate personnel relations procedures. Good management needs able employees if it is to accomplish the most.

The employment procedure is one of the personnel relations activities to which the scientific method can be applied probably more easily than many of the others, because the facts about an applicant being considered can be obtained. The facts can be classified as to the pros and cons of employing the man, and the decision to employ him can be based upon those facts. This systematic employment procedure involves:

1. The development of the source of supply
2. Securing an application blank
3. Interviewing
4. Examinations and tests
5. Selection
6. Placement
7. Introduction to the job and follow-up

The flow chart of the employment procedure in Revere Copper and Brass Incorporated (Figure 13) shows the entire process from the development of a source of personnel supply to the follow-up of job training.¹

A Philadelphia company had 11,988 replies to advertisements for salesmen; 46% of this number made appointments, 33% actually came for interviews, 4.4% were hired, and only .7 of 1% made good on the job. This also proved to be costly to the company in the time and money spent on advertising, interviewing, and training. It was costly also to the applicants in loss of time, in effort, and in the happiness of those who were not hired and of those who were hired but who did not make good.²

¹ Also see flow chart on selection procedure by R. S. Uhrbrock, "Mental Alertness Tests as Aids in Selecting Employees," *Personnel*, May, 1936, p. 231.

² Johnson, O. R., *One Company's Experience in the Selection of Salesmen*. Administration, 1923, pp. 646-658.

The increased use of systematic selection and placement would have achieved great human and economic saving in the above situation as well as in many other similar ones. Efficient selection of employees increases human efficiency and eliminates labor turnover, waste of human resources, decrease in production and profits, and general economic loss.

The Employment Department.—There is a growing tendency in industry to place the responsibility for the selective processes in the hands

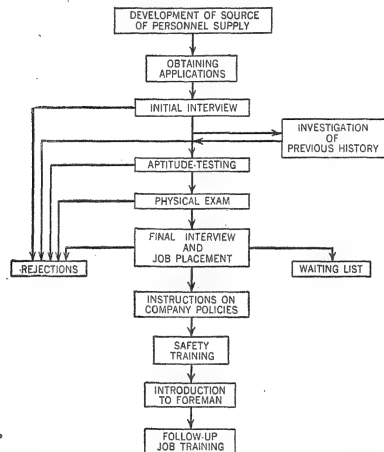


Figure 13. Flow Chart of Employment Procedure of Revere Copper and Brass Incorporated, Ordnance Plant, Chicago, 1942-43

of a special department headed by a person whose definite duty is the selection of employees. Many companies already have this centralized employment department, while some have an individual employment manager or supervisor, and still others place the definite hiring responsibility on an officer who has other duties as well. For the most part, selection processes involve the employment manager and the foreman or superintendent of the department where the employee is to work. Usually when a vacancy exists, the department concerned requisitions help from the employment manager, who selects one or more individuals and sends

them for approval or rejection to the foreman of that department. In some companies the employment department has complete control of the employment procedures. It hires the man and sends him directly to his department for work.

The centralized placement of employment responsibility is justified, because formerly the selection processes received but little attention from the foreman. In the morning, when the foreman or superintendent was supposed to start production, he would be diverted by the necessity of selecting new men. Inasmuch as his time was occupied in employment duties, he could not properly take care of the other management functions of his department.

A large public utility has the following standard practice for the employment division:

It is the function of the Employment Bureau to supply the various departments with employees as needed; to receive applications, investigate references and facilitate the correct placing of applicants; to advertise for help when necessary, no other department being allowed to do so; to follow up new employees; to aid in arranging interdepartment transfers and promotions of employees; to investigate absences and resignations which have not been properly accounted for; to answer requests for information concerning present or former employees; and to prepare for the officers of the company such reports and studies of employment and personnel as may be necessary or desirable.

A large oil company assigns the following responsibilities to the employment division:

Securing employees from various sources; interviewing and sifting them out; selecting promising candidates for presentation to the supervisor and attending to the routine of actual employment such as the medical examination, inquiries of references, and putting on the payroll. In the outlying offices employment is done by one of the supervisors—such as the foreman, chief clerk, or assistant manager—but is subject to the approval by the personnel man from the central office before employment can become permanent. The supervisor or department head under whom the new employee is to work must give final approval to his or her employment.

In the larger companies, as mentioned before, the employment department is one of the main divisions of the personnel department and is on the same level with the safety, medical, and service departments. However, in many companies, the personnel department is mainly the employment department and has developed from the employment division.

Applicants are often subdivided into technical, office, unskilled, and skilled groups, when a large company is hiring all kinds of labor. This subdivision into classes is considered good employment procedure, for the specialized worker should be considered more carefully than the unskilled worker. The plan followed by many companies is to give greater attention to employing a man for more skilled and technical positions. Such positions entail added responsibility and a greater risk for the company. Other companies simply make a division of office and factory workers. In many companies there are two employment managers, one for the men and one for the women. In the smaller concerns one person usually employs all classes of workers.

As the placing of the responsibility for selection in a special department, or in a particular individual, has grown, so also have the study of selections and the application of scientific methods to the selective and placement processes increased. The methods now evolved may be used not only by an employment department, but also by any qualified individual who carries the responsibility of employing workers. The application may also apply in a reciprocal way. If a person has studied employment methods, he should understand how to obtain a job and to go more smoothly through the employment routine.

Before the employment process can start, there must first be a need for employees. When a job becomes vacant or a new position is opened, the fact is usually communicated in the form of a requisition to the employment officer or department. It may be a telephone call or a definite written requisition as far in advance of the actual need as practicable. It should give the employment officer the specifications for each job and the type of worker required to fill it. This involves analysis of the work and the formation of descriptive specifications, including the process entailed and the qualifications needed by the worker. Such information provides the employer with a solid foundation upon which to base his decisions—not mere guesswork.

A typical employment procedure of a company has been presented in seven steps by F. H. Allis, personnel director,³ of the Guide Lamp Division of the General Motors Corporation, in the following outline of employment methods and techniques:

1. Application. The application serves as a basis for selection, and discloses education, residence, age, marital status, physical characteristics, special skills, and experience.

³ J. E. Walters and R. J. Greenly (Ed.) *Personnel and Industrial Relations*, Lafayette, Indiana, Engineering Bulletin, Purdue University, Vol. XXII, May, 1938, No. 3, p. 119.

2. Interview. The interview serves to give additional information and impressions of the applicant, such as alertness, physique, general character, and details of experience.
3. Check-up. The check-up of previous experience or character may be made by correspondence, by telephone, and by personal inquiry.
4. Contract. The contract should be explicit with reference to wage rate, normal number of hours per week, shift—day or night, probable duration of job if temporary.
5. Physical examination. The physical examination is conducted by the plant physician.
6. Explanation of company policies. All new employees should receive explanation of company policies such as safety rules, special rules, liquor, smoking, reporting of absences, and labor policies.
7. Introduction to the job. The introduction to the job itself is the duty of the foreman or assistant foreman.

Some Doubtful Employment Methods.—Some past, and even present-day, employment methods provoke much doubt as to their authenticity and value, such as character analysis, phrenology, and graphology. The character analysts profess to analyze character by the size and shape of the profile and face, and the texture of the hair, the color of the skin, the dimensions of the head, the shape of the mouth, the eyes, etc. Phrenology claims that character, personality, ability, and intelligence are portrayed by the size, shape, and parts or bumps of the head. Graphology attempts to analyze character and ability by handwriting. These and similar conceptions have not been accepted in education, industry, and business chiefly because their principles and stated "facts" have not been based upon scientific experimentation.

In regard to the validity of character analysis, it may be a good guess that traits of character may change faster than physical features. Traits of character may be changed in a relatively short time, whereas the features may require seven years to be transformed to any great extent. If traits do change in less than seven years, the features may still represent the old characteristics and be misleading. If traits of character do remain the same for seven years, it may be possible to determine them from the features; however, such has never been proved by experimentation, yet, to the knowledge of the author. The cartoonist may draw the politician, the doctor, or the lawyer by understanding certain common characteristic features.

Sources of Personnel Supply

Necessity of a Personnel Supply.—Employment problems are the first to present themselves in considering personnel relations or any other phase of industrial management where workers are concerned. The first need is for workers, whether it is created in regard to the establishment of a new factory, the enlargement of an old plant, or new operations in an existing company. If new plants are to be built, the labor supply should be studied in the locality where the plant is to be situated. The availability of the kind of worker which the particular industry requires is one of the prime factors in reaching a decision as to its location. If an established company desires to enlarge its plant or activities, it may have or create a supply of available personnel. In other words, at all times there must be an adequate supply of suitable workers, as well as an active source from which to draw.

Sources of Personnel Supply.—The supply of workers may come, generally, from within the company or from outside the company. From within the organization there are several sources of personnel supply: from present employees, including the stockholders, officers, supervisors, foremen, and workers; from transfers, promotions, and training; from employees' friends; and from previous employees and their friends. The sources of personnel supply outside the organization may be listed in the following manner:

1. Applications at the door and through the mail
2. Advertising
 - (a) Newspapers and trade journals
 - (1) Classified column
 - (2) Display advertisements
 - (b) Posters, billboards, and handbills
3. Schools
 - (a) Public and private schools
 - (1) Grammar schools
 - (2) High schools
 - (3) Trade, business, and company schools
 - (b) Colleges and universities
4. Employment agencies
 - (a) Public, private, and fraternal agencies
 - (b) Unions' employment agencies
5. Organizations
 - (a) Lodges
 - (b) Churches

- (c) Fraternities
- (d) Trade organizations
- (e) Labor unions
- (f) Employers' organizations
- 6. Competing and other companies
 - (a) Reciprocal contracts
 - (b) Layoffs
- 7. Scouting
 - (a) Help available from newspapers
 - (b) Other localities
- 8. Collective bargaining
 - (a) Other sources of supply

This enumeration of sources of personnel supply does not attempt to evaluate them. Each will vary with the particular company. For example, if a company has a good reputation in the community, if it is known to deal fairly with its employees, to give adequate terms of employment, and to have splendid working conditions, the supply of workers will, in all probability, be good. If, on the other hand, its reputation is not good, it will be difficult to create a source of supply. The size of the community will also have its bearing on the availability of workers. In other words, the company and the locality are important factors in labor supply determination.

Supply from Within the Organization.—PERSONNEL SUPPLY FROM PRESENT EMPLOYEES. One of the largest sources of personnel supply is from the present employees themselves. There is no better advertisement for a company than a satisfied worker. To accomplish this, a good reputation must be maintained in the community, fairness must be exercised at all times, the terms of employment must be good, the working conditions must be fine, and—last but not least—there must be opportunities for betterment. A well-worked-out system of employee improvement and promotion is essential (which will be discussed later).

If a job is created or if a position is left vacant, the first thought is to fill it from the present employees, either by promotion, by taking the person next in line, or by transfer. In efficient companies where promotion is studied and adequate training is given, progress is accessible for each employee, and there is little need for the company to go outside in order to fill positions, except the unskilled jobs. Promotions customarily progress from workmen to foremen, from foremen to superintendents, from superintendents to other officers, and from officers to stockholders. The higher positions are filled from the lower ones. If a worker in one

department is unqualified for the job, or is better fitted for work in another department, he may, by transfer, be placed where he is better adapted and where he can do more valuable work. It is logical for the first source of personnel supply to be that of the present employees. Some companies post notices when jobs are available, and present employees can apply, or "bid" as it is called, for the job. Selection is made from the "bidders" if they have the qualifications.

Training employees for new or higher positions often provides a rich field from which to choose. The added training furnishes knowledge or skill sufficient for the advanced position. Examples of this were the Flying Squadron of the Goodyear Tire and Rubber Company, and the Labor Gang of the American Rolling Mill Company. The Flying Squadron was made up of a group of employees who have had a varied training in many jobs of the plant. Each morning, if a particular department was short a number of workers, men were picked from the Squadron and sent to that department. The Labor Gang was composed of a group of laborers. If on a certain day a particular department needed more men, they were supplied from this group. When the work was finished, the laborers reported back to the Labor Gang for reassignment.

PERSONNEL SUPPLY FROM EMPLOYEES' FRIENDS. The satisfied worker cannot avoid telling his friends and acquaintances of the fair deal, the fine terms of employment, and the good working conditions in his particular company. If the employees of other companies are not satisfied with the working conditions, and learn through their friends of the company where satisfactory conditions do exist, they will be inclined to better themselves. The employment department usually should make a special effort in getting workers to recommend their friends. Such procedure has a two-sided purpose: if the worker is valuable, he may associate with men of a similar caliber and attract them to the company. The men who are satisfied will be of great value to the organization, will get into the spirit, and will convince their friends. Friends working together sometimes do better work. This idea is carried out in some companies, even to the extent of sending out recommendation slips to the employees, asking them to recommend their friends who are capable and with whom they would like to work.

PERSONNEL SUPPLY FROM FORMER EMPLOYEES AND THEIR FRIENDS. Employees often leave a company for apparently better jobs. After they have been in the employ of another company for some time, they may find that they are not as well satisfied as when they were with the first company. By keeping in touch with these men (if they are efficient and

are recommended by their first foreman or supervisor for reemployment), an additional source of employment can be maintained. The rehired employee will usually be better satisfied than before because he knows that outside conditions are not so good as inside ones. Special care should be taken to see that the man who left the company was really efficient and should be recommended for reemployment. His foreman or supervisor should do this at the time he leaves. Furthermore, if a former employee working with another company was well pleased with his previous work, he will tell his friends in the other company, and they may be duly attracted to the first organization.

The whole matter of employment from within is hinged on the condition of the company, its reputation in the community, its reputation for fair dealings with employees, good terms of employment, and fine working conditions. Without these, the sources of personnel supply from within are difficult to maintain.

Supply from Outside the Organization.—APPLICANTS AT EMPLOYMENT OFFICE AND BY MAIL. When companies go outside their organization for a supply of labor, they usually draw from applicants who come in person to the employment office and those who apply by mail. Established companies of any magnitude, as a rule, provide suitable employment offices for applicants at the door. All those who present themselves there are received, interviewed, and told about the company. The attitude of the employment office can convince an applicant that he wants to work for the company. Every applicant should be seen if possible, and he should not be made to wait for an undue length of time before an interview. The employment offices should be furnished so that the men will be comfortable while waiting, and all applicants should be made to feel that the company is one for which they would like to work. Before the interview the applicant may be asked to fill out an application blank, which will provide detailed information about him and will also keep him occupied if he has to wait.

Many applications for employment are received by mail. Application blanks should be sent immediately to those who seem qualified. As soon as the application blank is returned, it should be promptly acknowledged, and the applicant furnished with information regarding the company. It should be presented in a dignified and concise manner, not "overselling" the company but providing the proper point of view. If the applicant seems to be of a caliber which will fit him for the work, an interview should be requested. If it is certain from the application and other criteria that the worker will make a good man for the company, he may in exceptional cases be employed at once without an interview. In han-

ding applications by mail, promptness and courtesy should be the prime concern of the employment office. The number of such applications will usually increase as the personnel supply is developed.

PERSONNEL SUPPLY FROM ADVERTISING. When the source of labor supply is not sufficient to meet the demands, advertising often produces results. Notices in the classified columns and display advertisements in the leading newspapers and trade journals are usually effective. The classified advertisement should contain a brief statement of the position offered, the telephone number, and the place where applicants should call concerning the work. The display advertisement should be of a size proportionate to the number of employees wanted. For example, if a large supply of personnel is desired, a big display advertisement may be necessary. If the display and classified advertisements are not effective, posters, billboards, and even handbills may be necessary to obtain results. All advertisements should be presented in such a way as to create good will for the company and not to "oversell" it.

SCHOOLS AS A SOURCE OF SUPPLY. Schools and universities normally furnish a supply of employees for industrial companies. Grammar schools are preparing men for unskilled jobs; high schools and trade and continuation schools are preparing men for the skills. Business colleges and company schools are also preparing specialized employees; and colleges and universities are preparing professional specialists, foremen, and executives. Every company employment office should maintain contacts with educational institutions, as high-grade workers can be obtained from them. They are one of the best sources for men trained to think and to adapt themselves to the specific work of the company. Today executives are often college graduates, and industrial companies are employing an increasing number of technical graduates.

SUPPLY OF PERSONNEL FROM EMPLOYMENT AGENCIES. The employment manager should keep in close touch with public employment agencies, especially the United States Employment Offices, affiliated with the State Employment Offices. They are excellent sources for employees. It is their job to know of the available workers, and it is to their benefit to recommend only high-class men and to create good will for the agency among the workers and the companies. Every industrial employment office should assist in creating good public employment offices for the benefit of the unemployed, and such agencies should be studied, as they are one of the best means for reducing unemployment. A great many men who are out of work would gladly take jobs if they knew where and

how to get them. Such assistance from the public or the government would help to reduce unemployment and furnish another source of labor supply. During World War II most of the employment was done through the United States Employment Service. Private employment offices also are good sources of personnel.

PERSONNEL SUPPLY FROM SOCIAL ORGANIZATIONS. Organizations of various kinds provide employers with opportunities for contacts with desirable employees. Fraternal employment agencies have in some cases been especially good. They are interested in their recommendations from two points of view: the employee's benefit and the benefit of the fraternal organization. It is to be recommended that the employment office maintain contact with lodges, churches, fraternities, clubs, community and trade organizations, labor unions, and employers' organizations. These contacts are more valuable when they are made by the employment manager, by his assistant, or by prominent employees who are worthy representatives of the company. It must not be overlooked that this is a means of attracting many good employees. Labor unions make a good source of labor supply. They will probably be a greater and better source of labor as unionization increases.

OTHER COMPANIES AS A SOURCE OF SUPPLY. A company should never deliberately "pirate" employees from a competitor to whom the loss might prove a disadvantage. Valuable and needed employees should not be taken without previous notification or request. If a company has an opening which it cannot fill, a friendly competitor is asked to release one of its men so that he can accept the higher position, with an understanding that at some future time when the first company wishes to promote a man in a similar way, it will be done through this reciprocal trading. In such a manner competitive relations between the groups are retained, the companies as well as the workers are helped, and a particular trade and special employees within the trade are assisted.

SCOUTING AS A SOURCE OF SUPPLY. Some companies send out scouts in order to follow up advertisements in newspapers for positions wanted. Others send them to distant and foreign localities in order to bring back a supply of workers. Sometimes companies are forced to lay off men, and if an employment manager gets in touch with the situation, a good source of personnel may result. There has recently developed in the United States a practice on the part of some manufacturing companies to move their plants to the places where the labor supply is abundant.

COLLECTIVE BARGAINING. Collective bargaining between a company and a labor union can provide a group of workers in a given trade or

industry. In some instances this method furnishes the largest source of supply.

Recommended Use of All Sources.—The proper personnel point of view toward the sources of personnel supply is that the employer will obtain decidedly more and higher grade applicants by drawing from a number of these sources. For example, if an engineer were asked by his superintendent to add fifteen draftsmen to the engineering department within three days, it would be decidedly easier and more effective if he made use of every possible source of supply. With more draftsmen from whom to choose, the engineer will undoubtedly select better men and thereby increase both the efficiency of the drafting department and his own management. This same principle would apply to all employers as well as to all personnel departments.

The Application for Employment

Most companies today require each applicant to fill in the information requested on an application blank.⁴ If the applicant makes any untruthful statements on the application blank, it is usually grounds for dismissal. The application blank contains a personal history of the employee, his experience record, references, statement of his education, etc. The information given on the application blank is usually investigated not only for the correctness of statement but also with reference to the quality of the work as well as the experience. Many companies ask that the application be written in the employee's own handwriting in order to show his neatness, ability to write, etc. Some companies will provide an interviewer to prepare the information record for applicants who cannot write.

Interviewing

Upon receipt of the application blank, the applicant is usually interviewed. In some of the larger companies this first interview is a preliminary one which weeds out those who are evidently not fitted for the work of the company, and the others are passed on to a final or longer interview. In some companies just one interview is held with the applicant, and it is decided in that interview whether or not the employee is to be considered.

Even though interviewing is an art and not an exact science, certain principles can be learned. The interview can be used to find out facts,

⁴ See samples of application blanks in the chapter on Personnel Relations Audit, Research, and Records.

to inform the interviewee, and to motivate him in or out of the company. The following principles of interviewing⁵ have been found effective:

1. Know as much information about the interviewee in advance of the interview as possible.
2. Prepare a brief schedule of questions for the interview based upon the job specifications for the work to be done.
3. Provide privacy for the interview and allow as much time as possible.
4. Take the interviewee's point of view, and examine your own prejudices toward people in order to prevent personal prejudices from interfering with the hiring of the best person.
5. Help the interviewee feel at ease and ready to give you the facts about himself that you want.
6. Be straightforward and frank rather than shrewd and clever.

The application of these principles and procedures should result in eliminating the least desirable and finding the ones to take the tests, examination, and go through the remainder of the selection process.

In general, some things can be observed about the applicant from a brief interview, such as appearance, clothes, personal cleanliness, manners, posture, gait, handshake, voice, facial expression, and poise. Though the interviewer may not be able to determine the real value of these observations in an interview he can readily see some qualifications, or rather disqualifications, for certain jobs. No company, or at least very few, will hire a person without an interview.

Examinations and Tests

The physical examination is often used as a basis for employing or rejecting an applicant. Intelligence, trade, and special tests cannot usually be considered in this way. They are simply aids in employment work. If an applicant fails to pass these tests, it does not follow that he will be refused the position. But other qualifications being equal, it is a sound employment policy to select the person with the highest test scores. If tests are used and thought of simply as one of the aids in reaching a selective decision, they will be found to be valuable, at least in reducing the number of unsatisfactory employees. They may often lengthen the selective process and require additional equipment, staff, and expenditure. Also in some cases applicants may dislike to cooperate and consider that they are being imposed upon without reason. Many employers feel that the best applicants are cooperative in this respect.

⁵ Adapted from W. V. Bingham and B. V. Moore, *How to Interview*, New York, Harper & Bros., 1937.

In a study of the employment procedures of 147 companies, Achilles⁶ found the frequency of the use of tests in the latter part of 1942 as given in Table 3. He found that testing took from 45 minutes for plant workers to 90 minutes for salesmen, and the total time required for induction ranged from 2 hours and 42 minutes at a cost of \$8.50 for a plant worker to 5 hours at a cost of \$16.82 for a salesman, the testing taking from 43% to 47% of the total time.

TABLE 3. FREQUENCY OF USE OF TESTS *

Type of Tests	Plant Workers N-77 %	Office Workers N-90 %	Sales- Men N-35 %	Super- visors N-49 %
Intelligence Tests	40	57	29	35
Trade or Proficiency Tests..	34	53	14	20
Aptitude Tests	44	38	29	16
Personality Tests	16	18	31	31
Interest Tests	8	11	17	16
Not specified	8	3	14	8

* Percentages do not add to 100, because several types of tests may be used by the same company.

Although scientifically evaluated and validated tests are used by a considerable percentage of the companies, most employment managers and personnel directors feel that research on the selection process is one of the greatly needed personnel activities; i.e., testing and examining applicants, finding accurate facts, and numerically measuring their aptitudes.

After going through the employment procedures of over one hundred companies, the author found a large number of personnel "factors" which were considered in selecting employees. Some of the most important factors and the methods of determining them were:

THE FACTOR	HOW DETERMINED	SUGGESTED INSTRUMENTS OF RECORDING OR MEASURING
Good Health—Strength and Endurance	Physical Examination	Physical Examination Personnel Record Strength and Endurance Tests
Appropriate Intelligence	Intelligence Tests	Otis Self-Administering Test of Mental Ability Wonderlic Personnel Tests The Revised Army Alpha and Beta Intelligence Tests

⁶ Paul S. Achilles, "Trends in Employment Procedures," *Personnel*, January, 1943, p. 609.

THE FACTOR	HOW DETERMINED	SUGGESTED INSTRUMENTS OF RECORDING OR MEASURING
Appropriate Personal Traits	Personality Tests Rating Scales Investigation of References Interviews	Humm-Wadsworth Temperament Tests The Bernreuter Personality Inventory Thurstone Personality Schedule Personality Rating Scales
Proper Knowledge of the Job	Trade Tests Trade Questions Interviews	Machinist Test for Machinists Tests of the Other Trades Trade Questions and Tests
Ability to do the Job	Performance Tests Tryouts	Trade Performance Tests Actual Tryouts on the Job
Proper Interest	Interest Tests Interviews	Strong Vocational Interest Tests
Sufficient Education and Training	Application Blank Interviews References	Personal References Reports and Ratings Application Blanks
Special Abilities	Special Ability Tests	O'Connor Dexterity Test Wiggly Block Test Mechanical Aptitude Tests (Bennett, Detroit, Stenquist, Minnesota, Macquarrie) Purdue Tests

In general, when a test's reliability and validity have been proved, the results of the test are more objective and can be used as one of the bases of employment more than previously. Because many of the tests used in industry today lack the validation that is desired, it seems to be the best practice to use testing as one of a number of aids in the employment process.

The Kearny works of the Western Electric Company has been utilizing tests as a part of its selection procedure since about 1933. This company uses tests to prevent 5% to 25% of the poor selections which occur without the use of tests. In developing the tests, the Western Electric Company first make a job analysis of the following nine factors: intelligence, eye-and-hand coordination, finger dexterity, manual dexterity, small-tool dexterity, repetitiveness of work, accuracy, range of observation, and visual memory. Then they (1) test the present employees on a particular job, (2) secure a criterion of success, (3) compare statistically and otherwise the criterion with the test scores, and (4) set a critical score, if the test has been successful in differentiating the better from the poorer workers.⁷

⁷ D. W. Cook, "Psychological Tests for Unskilled Jobs," *Psychological Aids in the Selection of Workers*, New York, American Management Association, Personnel Series, No. 50, 1941, pp. 18-29.

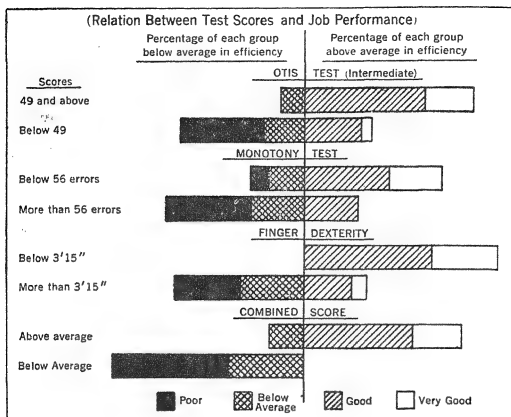


Figure 14a. Study of Solderers

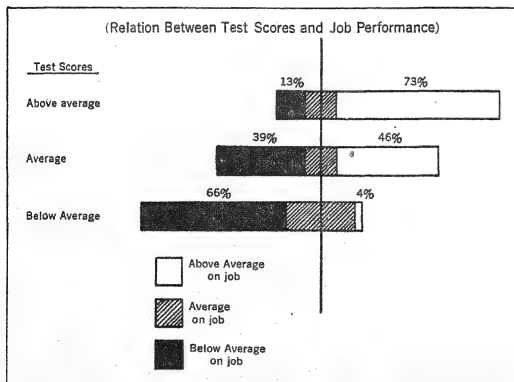
(D. W. Cook, *op. cit.*)

Figure 14b. Study of 58 Junior Draftsmen

(D. W. Cook, *op. cit.*)

Figure 14 (a and b) shows the relation between test scores and job performance of solderers and junior draftsmen.

The Scovill Manufacturing Company used tests in employment successfully for many years. Dr. Millicent Pond of that company submitted the data in Tables 4 and 5, showing the results of the use of tests over the selection by interview only in employing toolmaking apprentices.

TABLE 4. CHECK ON VALIDITY OF TEST SELECTION

Dates Hired	Group	Number Hired	Number Satisfactory	% Satisfactory	Remarks
1-1-20	I	57	36	63	Selected by interview only
to	II	50	28	56	
8-31-26	III*	56	35	63	
	Totals	163	99	61	
Yearly	IV	40	36	90	Selected by interview and Scovill Classification Test
Groups,	V	44	33	75	
9-1-26	VI*	35	32	91	
to	VII	36	28	78	
8-31-30	Totals	155	129	83	
Yearly	VIII	13	11	85	Selected by interview, Scovill Classification, MacQuarrie, and Wiggly Block Tests
Groups	IX	1	1	100	
9-1-30	X	3	3	100	
to	XI	12	12	100	
6-1-37	XII	21	19	90	
	XIII	32	28	83	
	XIVa	65	62	95	
	Totals	147	136	93	

* Change of interviewer occurred 1-1-26 and 8-1-28.

Criteria of Success:

Group I, foreman's rating, 11-1-23.

Groups II to VII, yearly ratings by foreman on individual's first-year work.

Groups VIII to XIVa inclusive, work history, i.e., neither termination nor transfer because of unsatisfactory work, as recorded by 8-15-37.

The Lockheed Aircraft Corporation used employment tests for selection. During World War II this company tested about 300,000 applicants at the rate of 1,000 per week during certain periods.⁸ All qualified applicants were given the Otis Self-Administering Tests of Mental Ability and the Humm-Wadsworth Temperament Scale. For mechanical aptitudes the Johnson O'Connor Wiggly Block and the Minnesota Manipulative Tests were given. The Lockheed Clerical Test covered typing,

⁸ See "Testing Applicants" in *Trained Men*, Sept.-Oct., 1942, pp. 3-10.

clerical typing, stenographic, and filing work. The Lockheed Trade Tests covered accounting, blueprint reading, drafting, final assembly, lofting, machinist, papermaking, precision assembly, sheet-metal assembly, sheet-metal working, and template making occupations.

TABLE 5. CORRELATIONS, FOREMAN'S RANKINGS WITH TEST SCORES
N-83

Mechanical Abilities Tests	R	General Tests	R
MacQuarrie .....	.315	Classification Test .....	.364
Kent-Shakow .....	.393	Otis .....	.269
Wiggly Block .....	.309	Thurstone Error Checking.....	.199
Paper Form Board (Our Test 9) .....	.411	Schooling in Years Completed..	.174
Paper Folding (crude).....	.319		
Cube Construction .....	.311		
Thurstone Hand .....	.132		

Classification of Tests.—There are many kinds of classifications and descriptions of tests and their uses.⁹ Some tests are classified according to their purpose, others as to the source of the aptitude tested, while others according to the ability, proficiency, or capacity tested. Proficiency tests measure acquired ability, while aptitude tests measure “a condition or set of characteristics.” Some classify tests according to aptitude or ability measured, others by method of presentation such as oral, written, or performance tests, while still others arrange tests according to type of response to the tests, such as free or constrained response. Some tests have alternative choice, while others have multiple or single choice of response. Tests are sometimes considered as individual or group tests. Hundreds of tests are in existence at the present time, so it is important to select the right one or ones. Every test should be objective and should measure in quantitative terms. A test should differentiate between good and poor employees for the specific jobs for which it tests. It should be as easily administered and involve as little expense as possible. If the aptitude test is to be objective, the conditions under which it is given should be standardized and the results and validity of the test proved.

An *intelligence test* is a means of measuring a standard mental task under standard conditions. It attempts to measure mental capacity, or the ability to adjust to new situations. Such tests are designed to measure intelligence, mental ability, mental alertness, and in some cases educational qualifications. They also test the rapidity of learning as well as

⁹ See books by Bingham, Burr, Hull, Tiffin, Viteles, Yoder, etc. in selected references of this chapter.

the learning capacity and ability. Their results tend to indicate extremes. For example, they designate definitely the persons with extremely low mentality (who will usually receive a low intelligence score) and the extremely high mentality. Those who lie between the extremes present one of the greatest difficulties of mental testing. Intelligence tests do not attempt to answer all of the questions of employment and should not be used as such. They have proved very useful when used as aids in the selective process. They will have still wider use when it is clearly understood that they are just one of the many factors of selection.

One of the early records of intelligence testing was at Columbia University in 1894 under the direction of Cattell. This was followed by the cooperative undertakings through such organizations as the American Psychological Association. Binet was the first leader in this field, publishing his initial intelligence scale in 1908. This was later revised by Goddard, Terman, and others. Whipple further promoted the work through his *Manual of Mental and Physical Tests* published in 1910. Continuous development followed until World War I, when intelligence testing received its greatest impetus through the work of the Personnel Committee, which developed the Army Alpha and Beta Intelligence Tests. The Alpha Test was given to over 1,700,000 men. After the war, intelligence tests were applied in industry and business as well as in schools, until today there are many such mental examinations.

Intelligence tests¹⁰ used to a great extent in industry and business as well as in the schools are the *Otis Self-Administering Tests of Mental Ability* and its revision the *Wonderlic Personnel Test*. Others that are well known are the *Terman Tests* for the measurement of intelligence and the *Revised Army Alpha and Beta Tests*.

The most widely used tests are those designed for clerical or office positions, and are used by some companies as a definite basis for employment. There are also combinations of intelligence and vocational tests.

Two of the well-grounded limitations to mental tests for use in industry and business are: (1) that they do not have a sufficiently high correlation with occupational criteria such as production and wages, and (2) that they do not measure such traits as honesty and loyalty, which can be revealed in a tryout.

The *trade test* is a means of measuring a person's ability or capacity to perform a standard task of a certain trade under standard conditions. There are several classifications of these tests: oral, written, picture, performance, and their combinations. The oral trade tests are used to

¹⁰ Samples of many of these may be obtained from the World Book Company, Yonkers on Hudson, New York; The Psychological Corporation of New York City; and The C. H. Stoelting Company, Chicago, Illinois.

some extent because of their simplicity and ease of execution. They are composed of a series of standard questions to be answered by the applicant. The following is a sample extract of an oral test for a boilermaker:

1. Q. How are the boiler tubes fastened to the end plates?
A. Expanded (rolled) (pressured).
2. Q. What size rivet hole would you make for a 7/8-inch rivet?
A. 15/16.
3. Q. What caulking tool do you use in starting to caulk a seam?
A. Fuller.
4. Q. How should the outside sheet of a lap joint be cut for caulking?
A. Bevel (scarf).
5. Q. How are stay bolts made so that they will show up if broken?
A. Telltale hole (pierced) (hollow) or drill hole.
6. Q. What is located in the crown sheet of a marine boiler to protect the boiler in case the water gets too low?
A. Fusible (soft) (safety) plug.

Written tests are similar in nature to the oral tests. They conserve the examiner's time in scoring and are more objective. Written tests contain a standard set of questions to be answered by the applicant. Each question is usually given a certain score, and the applicant who answers the largest number correctly obtains the highest grade.

A picture test is made up of a series of illustrations showing the type of work performed by the trade, the tools, or the machines used in the trade. For example, a picture test for a carpenter may contain drawings of a half joint or toe nailing, wall stringing, and different kinds of rafters which the employer seeks to have defined. Usually picture tests bring the actual work to the mind of the applicant more concretely than do oral or written trade tests. They also permit personal contact and produce more confidence. There is some danger that the information may become out of date or may not involve special tools and equipment which are particularly adapted to the company concerned.

Performance tests include the construction, assembly, or manipulation of a standardized part, and a similar performance with the materials, tools, or equipment of an occupational process, under actual conditions or conditions similar to those under which the occupation is performed. They attempt to measure actual skill in performing the work of the job. Several performance trade tests are those of pipefitter, machinist, chauffeur, watchmaker, blacksmith, and typist. For example, the pipefitter test made use of two heads, four elbows, eight pieces of pipe, and pipefitters' tools. With these the candidate was asked to make up a radiator coil. His proficiency was based upon the time required to put the coil together.

Special tests are devised to show certain particular abilities. They may include parts of trade and intelligence tests or a combination of both. A test for finger dexterity devised by Johnson O'Connor serves as an example. It consists of taking 300 brass pins from a tray, where they are piled loosely, and placing them as rapidly as possible in 100 holes (three pins per hole) drilled part way through a special flat plate. The time required for doing this determines the score. The fastest time for finishing was six minutes, and the slowest was fifteen minutes. Another similar test is the Wiggly Block test, also devised by Mr. O'Connor, which tests mechanical aptitude. It involves irregular blocks to be assembled into a smooth larger block. Still others are typist, metal-machine operator, and inspection tests, and many combinations of the special abilities. The minute divisions of labor within a trade have created a need for such examinations. In any case they have been used as valuable aids in selecting men for special functions.

Additional special tests used in employment procedures are strength tests. In order to show the strength of a hand, a spring and balance device has been made into a grip test which quickly indicates the gripping ability of the person being tested. It is a dynamometer and, when compressed, indicates on a dial the amount of strength exerted by the person. Other strength tests involve the lifting of weights, for such work as truckmen might have to do, and the use of a sledge on a spring platform. Still another useful device is to attach a spring scale to the floor and measure the amount in pounds which may be pulled against the floor.

The tests which are used should test the aptitudes or abilities used on the job. A validation of the test to show whether it does actually test what is to be tested is important. Many companies devise their own tests applicable to specific jobs. For example, the Endicott-Johnson Shoe Company devised special tests. The Eagle Pencil Company developed tests applicable to that particular company,¹¹ and found their testing worth while. In their experience, the cost of testing applicants with a nine-test battery was about \$2.00 per person. This, they discovered, was less than half of the difference in the weekly wages between those passing the tests and those failing them, on the job requiring special aptitudes.

Drake and Oleen have not only indicated that testing is profitable but have also estimated the profits of testing.¹²

A complete testing program of an industrial concern involves the selection of tests, their administration, and the interpretation and use of the tests. In general, tests should be as objective as possible and should be

¹¹ See C. A. Drake and H. D. Oleen, "The Technique of Testing," *Factory Management and Maintenance*, New York, McGraw-Hill Pub. Co., March, 1938.

¹² C. A. Drake and H. D. Oleen, *op. cit.*

high in reliability and validity. In developing a test, all of the physical, mental, and psychological factors of the job for which the test is being developed should be duplicated in a standard task under standard conditions. The test should be administered by an experienced industrial psychologist or personnel man who has been trained in the development and administration of tests. Tests should be interpreted statistically on the basis of standard deviations, sigma units, percentile ranks, etc.

Besides aptitude testing, trade tests, and the interview, most companies are now requiring a physical examination as one of the important aids in selecting the proper persons. Health as a factor of employment of the companies seems to be growing in importance and should be included. Likewise, rating, investigation of references, and the other means of determining the factors in employment are important. All of these serve as aids in selecting the most efficient persons.

Development of Employment Tests in a Company.—Six of the principal jobs in Revere Copper and Brass Incorporated were studied and analyzed carefully. Superintendents, foremen, operators, and helpers were questioned. In some instances closer contact was gained by working on the job. Questions and problems pertaining to judgment, mental and educational factors, physical requirements, speed of work, endurance qualifications, and, in general, all those qualities and factors were recorded which determine the difference between a successful worker and one who is not. The composite descriptions then were analyzed carefully. Common factors in these jobs were noted. The most meaningful and out-

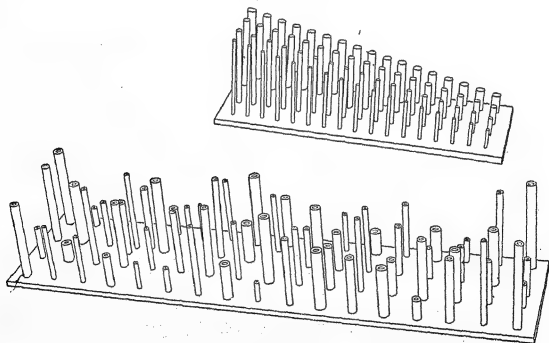


Figure 15. Revere Tube Test

standing ones formed the basis upon which the ten tests were constructed. Descriptions of three of these tests follow:

REVERE TUBE TEST. This test consists of two boards containing 68 pegs of various lengths and diameters, as shown in Figure 15. The pegs on one board are arranged systematically in graduated sizes according to height and diameters. The arrangement of the pegs on the other board has no system, and the pegs of different heights and diameters have been arbitrarily placed with no thought of orderly arrangement. A single set of 68 tubes which fit over the pegs are taken from one board and matched in height and diameter with the corresponding pegs on the second board. The complete test involves matching the tubes and pegs on both boards.

SLITTER SETUP TEST. This test is a small replica of a machine which slits copper and brass sheets and is used in the various plants. It consists of two shafts of identical diameters opened at one end with twelve $\frac{3}{4}$ -inch cutters and eleven spacers. Five spacers are 2 inches wide, five are

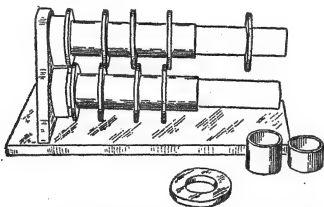


Figure 16. Slitter Setup Test

$1\frac{1}{2}$ inches wide, and one other is $\frac{1}{4}$ inch wide. A simple blueprint showing what the setup looks like when correctly performed and containing all the necessary dimensions serves as a guide. Figure 16 shows this slitter test. Its purpose is to test the applicant's ability to read a simple blueprint and follow it in making the setup. Accuracy and time are recorded.

MATHEMATICAL APPLICATION TEST. This test consists of twenty problems involving elementary knowledge of mathematics required on the various jobs in the mill for which tests were developed (Figure 17). It contains addition, subtraction, multiplication, division, and then progresses in difficulty to fractions, time, rate, and weight problems. A time limit of 17 minutes is used in giving the test.

After the tests were developed, they were validated by testing groups of present employees, good and poor, whose ability on the jobs was rated by foremen. The results of the tests were correlated with the total ratings by the foremen of each employee on quality, knowledge of the job, application to work, cooperation, safety, health, neatness, and cleanliness. Also, the employees on the jobs were ranked as to whether they were good, average, or poor, and the test scores of those ranked good were compared to and correlated with the scores of those ranked poor. The results of the comparisons and correlations for the tests described herein are given in Figure 18.

During World War II, when the company had to employ almost all employees that could be found, the tests were given to employees already hired for their own personal adjustment, improvement, and transfer

(PLEASE PRINT)			
NAME _____			
	Last Name	Initial	First Name
DATE _____	AGE _____	SEX _____	
LAST GRADE OF			
SCHOOL COMPLETED _____			
<p>The following test * consists of 20 mathematical problems. You are to do as many of the problems as you can in 17 minutes. Do not spend too much time on any one problem.</p> <p>Do not begin until the signal to start is given by the examiner.</p>			
1. What is the total weight of 4 bars of metal each weighing 190 pounds?	Answer _____		
2. Each coil weighs 30 pounds. If a pan weighs 6,150 pounds, how many coils will make up a heat of two pans?	Answer _____		
3. A furnace load of metal totaling 3,220 pounds has been annealed, yet only 2,254 pounds passed inspection. What is the percentage rejected?	Answer _____		
4. It takes a sheet of metal 14 minutes to be conveyed through a furnace 70 feet long. What is the speed of the conveyor?	Answer _____		

* These are merely samples of the questions on the test.

Figure 17. Sample of Revere Mathematics Application Test

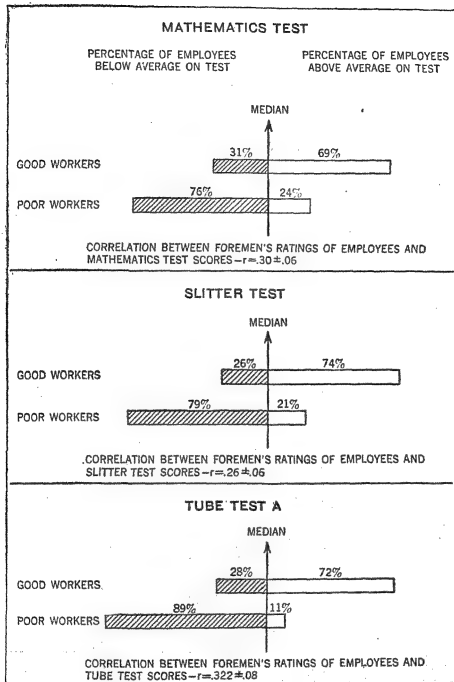


Figure 18. Employment Test Results—Revere Copper and Brass Incorporated, Michigan Division

within the company. Such use of personnel tests opens up a large field of opportunity in research on tests and their uses.

Selection

In a general employment procedure, after the interview has been held, the tests and examinations given, references investigated, and the physical examination results obtained, the final selection process involves the

comparison of the facts about the various persons being considered for the job and the selection of that person who has the best qualifications for that job. Figure 19 shows an employment qualification comparison sheet for an engineering sales position. In this case the factors to be considered in the engineering sales position were listed and the names of the men put at the top of each column. Then in each column, the results of the tests, examinations, rating, etc., were listed under each man's

PERSONNEL FACTOR	APPLI- CANT'S NAME <i>John Jones</i>	<i>Sam Smith</i>	<i>Richard Roe</i>	<i>Donald Doe</i>	VALUE OF FACTOR
INTELLIGENCE:					
TEST	90	130	100	80	100 PASSING
RATING	7	10	8	8	0 TO 10
REFERENCES	FAIR	EXCEL'T	GOOD	POOR	
KNOWLEDGE OF JOB	70	95	80	60	EXAM AND GRADE TEST 0 TO 100
EDUCATION	10	16	12	8	ONE POINT FOR EACH GRADE
HEALTH	C	A	B	D	PHY. EXAM A - GOOD
PERSONALITY:					
RATINGS	FAIR	EXCEL'T	GOOD	POOR	
REFERENCES	GOOD	EXCEL'T	FAIR	POOR	
ABILITY TO DO THE JOB	FAIR	GOOD	GOOD	FAIR	TRYOUT TRADE TEST
REASONS FOR LEAVING LAST JOB	QUIT	LEFT SCHOOL	PER- SONAL	FIRE	
EXPERIENCE	GOOD	POOR	GOOD	FAIR	
IMPRESSIONS FROM INTERVIEW	FAIR	GOOD	EXCEL'T	POOR	
HIRING POSSIBILITIES	FAIR	EXCEL'T	GOOD	POOR	
HIRE	SAM SMITH				

Figure 19. Employment Qualifications' Comparison Sheet

name. By comparison, the total of Sam Smith's qualifications was higher than the others; therefore, he was selected. This selection procedure exemplifies the application of the scientific method. The facts are collected about each man, they are classified concerning each individual, and then the selection is based on those facts. These steps, just outlined, should result in a good, practical selection of the most efficient person for the job. The most scientific method of selection, however, is by means of psychographs.

Placement

The psychograph is a chart on which are tabulated the results of a number of tests in the form of a profile, as shown in Figures 20, 21, and 22. The best method of placement is to make a psychograph of an occupation (Figure 20); compare the results which individuals make on the

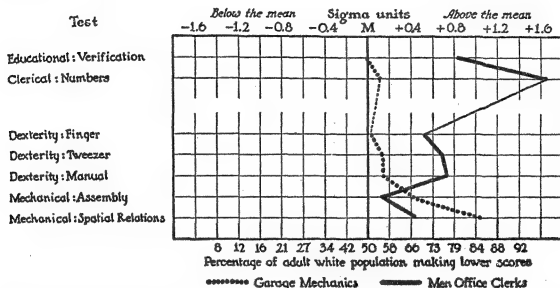


Figure 20. Occupational Test Scores Made by Men Clerical Workers and Auto Mechanics

(D. G. Patterson *et al.*, *Men, Women, and Jobs*, Minneapolis, The University of Minnesota Press, 1936, p. 44.)

various tests on the psychograph (Figure 21); and then select the persons whose qualifications most nearly fit the occupational psychograph.

Introduction to the Job and Follow-Up

After the employee has been selected, he has yet to be introduced to the job. In some companies this introduction begins in the waiting room even before he has been considered for the position. The history, policies, rules, and regulations of the company are explained orally or by pamphlets, and safety information is often provided. Talks on loyalty and discipline are given, as the employee is apt to listen more closely to such information at this time than after he is definitely employed. Personnel activities should be explained before he is put on the job. Many companies do this through an employees' handbook, containing in definite form information which the management wishes the employees to have. In many companies the employee signs a statement saying that he has received and read the rules, regulations and other information in the

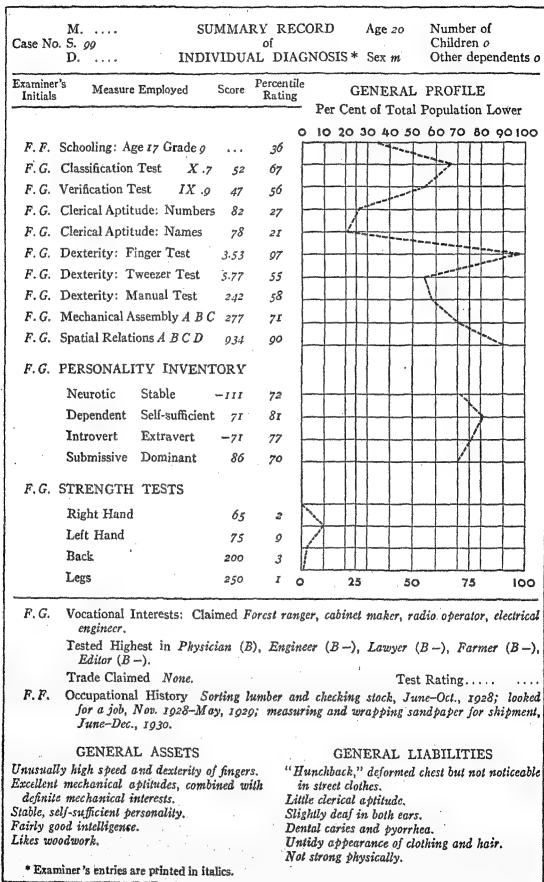


Figure 21. Test Scores Plotted to Show "Psychological Profile"

(From D. A. Starnes, *The Minnesota Unemployment Research Project*, p. 17; The Uni-

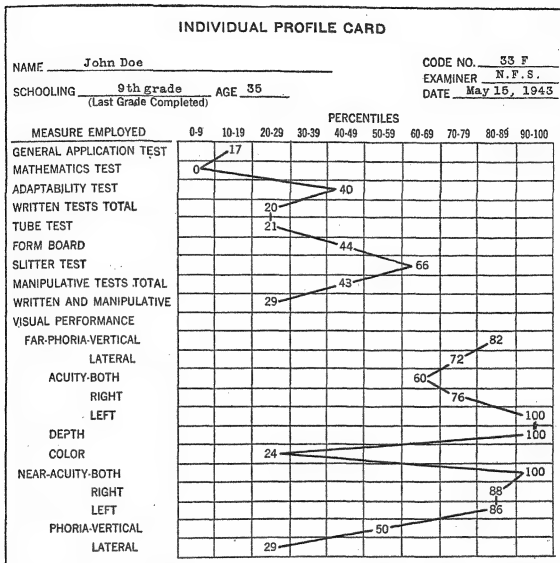


Figure 22. Psychograph for an Employee in Revere Copper and Brass Incorporated, Showing Percentiles in the Measures Used to Test This Person

handbook. With technical employment a trip through the factory or office and an introduction to the applicant's possible superintendent is often undertaken before final acceptance of the job.

After the employment slip has been signed by the employer, the new employee is usually given a statement showing that he has been definitely employed. He is taken first through the department in which he is to work. Here he is introduced to the foreman, who as a rule takes charge of him, unless he is to be trained in a vestibule school or by a special training program under someone other than the foreman. The introduction to the foreman should be done carefully. The employee should be made to feel at ease at once, as first impressions often last long. After being introduced to the foreman, the work is explained and demonstrated. With this instruction, training for the job is actually begun. The rela-

tion of the work to the whole organization or the product of the company should be interpreted, and the value of service of the job to the company should be emphasized. The foreman also assigns him to a locker room and to the individual equipment to be used in his work. For example, if he is a toolmaker or a carpenter he will need certain tools. An explanation of the use of the time clocks and designation of toilets, drinking fountains, and exits should also be given.

After the employee has started on the job, a follow-up visit by the employer, foreman, or instructor should occur occasionally. All possible personal contacts should be made with the new employee. At all times there should be a mutual understanding between employer, foreman, instructor, and employee.

Beside the follow-up on the succeeding days, many companies visit the employee after three months and review his work. Some companies definitely put new employees on probation for a certain period, letting them know they are on probation and that they are not permanently employed until they prove that they are qualified for the work. Whether or not employees become permanent members of the American Rolling Mill Company depends "first, on how satisfied they are with their work and the treatment they receive; second, on how satisfied the company is with the way they perform the work assigned to them during the probationary period."

CHAPTER 6

JOB EVALUATION

Job evaluation is the determination of the value or relative value of each job in a company or industry and the fixing of fair wages for that job. It is the determination of the value of the job and not the worth of the employee doing that job. The evaluation of the worker is a separate function.

Wages still rank as very important in personnel relations in industry and business today. More individual employees, because of increasing realization of the rights guaranteed by the National Labor Relations Act, are beginning to question whether or not they are being paid a wage commensurate with the value of their jobs. Adequate job evaluation can iron out some of the inequities of employee compensation. The broad social significance of job evaluation can be viewed from three aspects: (1) as a means of reducing wage disputes to a minimum, (2) as a means of giving each employee the standard of living to which his job entitles him, and (3) as a means for management to set fair wage values.

To the management of every company, proper job evaluation is one of its most vital problems of personnel and industrial relations because it touches the everyday life or the very living of each employee. Wages represent one of the most fundamental relations between the employer and employee.

If a company pays too low wages, its employees will not have the standard of living that they deserve. Too, the relationships between the employees and their employer will usually not be good, because after a relatively short time employees seem to sense whether one job is worth more than another. Those receiving a relatively lower wage for their work than the jobs deserve soon realize this and friction often develops. To employees, therefore, job evaluation is of vital importance.

Some companies try to pay higher than the average wage in the locality in order to attract the most efficient workers. A few others try to pay slightly lower than the average so that they will not attract workers just for the wage, considering that there is a certain good will which goes with the job in those companies. However, as a rule, most com-

panies want to pay a fair wage. Job evaluation is the means of determining that fair wage.

Among the more common purposes of adequate job evaluation for a particular company are:

1. To determine a fair value for each job and the reasons why one job is worth more or less than another by a factual method.
2. To clarify the duties and requirements of each job.
3. To eliminate inequalities between jobs of the same worth and pay the proper wages for each job.
4. To establish sound wage policies, practices, and structure.
5. To provide a basis for a long-range wage administration plan.
6. To develop and improve a friendly working relationship between the management and the union.
7. To prevent grievances due to wage inequalities.

A number of types of plans of job evaluation have been developed. In order to present an overall view of these plans, eighty companies were asked¹ for descriptions of their job evaluation plans. Of the sixty-three companies which replied, thirty-two had established job evaluation procedures. The remainder had no definite job evaluation procedures or very informal plans of accepting the prevailing rate in the community as the value of the jobs and then judging new jobs from the old prevailing ones. Of the thirty-two plans upon which this report is based, twenty-seven were of a formal character and five of a somewhat informal nature. Of the twenty-seven formal plans, seventeen were of the point system type, one utilized a combined point and ranking system, and nine were based upon the ranking method. If this is representative of all United States companies, it is apparent that the point system of job evaluation is the most prevalent type. Other investigations² have shown that the use of the point system is increasing. Its use increased extensively in the War Wage Stabilization period of 1944 and following.

In some companies parts of several types of plans are used. For example, one company uses the point system to evaluate its jobs, checks results by means of the ranking or grading method, obtains information concerning prevailing rates in the community, and then coordinates the results of all three procedures. For this reason it is difficult to segregate or classify the plans of some companies into types. Yet the plans of others can be classified readily according to the types described in this chapter.

¹ See J. E. Walters, "Job Evaluation," *Mechanical Engineering*, December, 1938.

² See John W. Riegel, *Wage Determination*, Ann Arbor, University of Michigan. Bureau of Industrial Relations, 1937.

The formal plans may be divided into two types:³ (1) the ranking method, and (2) the rating or point system of job evaluation. The informal plans have more or less "just grown" like Topsy, without any definite plan or consideration except possibly the prevailing rate in the community or the lowest rate for which the needed manual worker can be obtained. Adherents of the informal plan, of simply comparing the rates of one job to that of the community average for that job, contend that the elaborate job evaluation schemes are of little use anyway, because the company has to, or should, pay the prevailing rate of the community or that demanded by the union.

The Ranking Method of Job Evaluation

The ranking method (sometimes called the grading system) usually consists of the following steps:

1. Making job descriptions.
2. Ranking jobs according to value.
3. Correlating job values with present wages.
4. Adjusting the wages.

The first step in the job ranking system is to make a complete description of each job to be evaluated. These job descriptions are made in several ways. The Socony-Vacuum Oil Company had each employee write a description of his work, on a job description blank, which is reviewed, edited, and revised first by the employee's supervisor and the industrial relations department, and then by the job analyst. When the finished job descriptions are ready, it is then possible to rank the positions by departments.

A majority of the companies which use the ranking method have a job analyst, or a member of the personnel department, interview each employee and from that interview make a detailed description of the position on a job description form especially prepared for that purpose. Figure 23 shows the instructions and blank used by the American Rolling Mill Company for this purpose. One of the good methods of making a job description for the ranking method or by the point system is by time and motion study. A detailed description results.⁴

Several procedures were found to be employed in ranking jobs. One method was to select two key jobs because of their extreme differences

³ Other divisions into types can be made, such as The Factor Comparison Method, described later.

⁴ See R. M. Barnes, *Motion and Time Study*, New York, John Wiley & Sons, 1937. Also J. E. Walters, *Modern Management*, New York, John Wiley & Sons, 1937, Ch. III. See also Industrial Relations Section, California Institute of Technology, *op. cit.*

in value and then to rank the jobs in each department from lowest to highest according to the value of the work in the opinion of those making the rankings. Some companies had a list of factors which they consider in making this ranking, such as the following list used by the Socony-Vacuum Oil Company:

1. Difficulty of work.
2. Volume of work.
3. Responsibility involved.
4. Supervision required.
5. Supervision of others.
6. Knowledge, training, and experience necessary.
7. Conditions under which work is done.

These were considered not specifically but generally, and the various factors were not weighed or given a point value in making the ranking. In some companies this ranking was done by a job analyst, especially selected and trained for that work; in others, by a committee; and in still others, by a member of the personnel department. The ranking was then usually reviewed by the superintendent or perhaps foreman of the department concerned, and revisions made in light of discussions of high and low rankings.

Usually, after the jobs were ranked by departments, a comparison of rankings in each department was made with those of similar departments. Where differences of opinion showed up by this ranking in the various departments, adjustments were usually made after a discussion between the job analyst and the superintendents and foremen or department heads.

After all the jobs were ranked from lowest to highest, they were usually divided into groups from lowest to highest. The American Rolling Mill Company divided its jobs into eighteen groups, whereas the Goodyear Tire and Rubber Company classified its jobs into six groups. Figure 24 shows average daily earnings assigned to each zone or grade in an individual plant (see chart A) and in all plants (see chart B) of the American Rolling Mill Company. Chart C in Figure 24 shows the smoothed out averages for each zone and the base rate curve.

After the chart showing the evaluations of zones and rates for wages had been made, the actual rates or wages paid were often plotted upon the chart for comparative purposes. Discrepancies because of too high or too low wages were then readily seen, and the positions where attention should be paid to wage adjustments immediately became apparent.

Some of the companies which have used the job ranking system of job evaluation are: the Socony-Vacuum Oil Company, American Rolling

Recommendation for Occupational Classification or Reclassification								
OCCUPATION NAME—PRESENT _____	RECOMMENDED _____							
SECTION _____	DEPARTMENT _____	DIVISION _____						
PRESENT ZONE _____	RECOMMENDED ZONE _____	DATE _____						
STATEMENT OF DUTIES AND RESPONSIBILITIES (<i>See Reserve Side</i>)								
INSTRUCTIONS STATEMENT OF DUTIES AND RESPONSIBILITIES 1. Describe the kind of work performed; state in some detail the method, process, routine, or manner in or by which work is accomplished. Where work is of a general nature, illustrate with typical tasks. Utilize Bedaux S.P.B.'s where available. 2. State the kind of supervision received and from whom. 3. State the kind of supervision exercised, if any, and over whom. 4. Describe the nature of responsibilities other than supervisory. Consider the extent to which work affects quality of product; the probability of causing delays or damage to equipment; the accountability for conservation of materials such as fuel, steam, air, water, acid, etc.; the possibility of injuring fellow workmen; and related factors.								
STATEMENT OF MINIMUM QUALIFICATIONS 1. Formal education (the amount of schooling or equivalent education). 2. Previous mill or trade experience required; what occupations; length of such experience. 3. Knowledge of equipment design, construction, and operation necessary for assignment to occupation. 4. Knowledge of methods, practices, principles, processes, product, materials, etc., required for appointment. 5. The required knowledge of technical subjects, such as chemistry, metallurgy, combustion, mathematics, mechanical drawing, etc. 6. Personal qualifications, such as initiative, tact, resourcefulness, dependability, alertness. 7. Physical qualifications—any unusual requirement as to stature, strength, agility, eyesight, hearing, age, etc.								
NATURE AND CONDITIONS OF WORK 1. Posture—standing, sitting, stooping, etc. 2. Fatigue—requirement for expenditure of physical or mental effort—the tediousness or monotony of the work. 3. Hazard—possibility of injury to operator and the probable severity of injury. 4. Surroundings—disagreeableness of work resulting from unusual heat, cold, dampness, dust, dirt, smoke, fumes, acid, lack of ventilation or illumination, etc. 5. Requirement for skill, accuracy, and dexterity.								
<table style="width: 100%;"> <tr> <td style="width: 50%;">CHECKED:</td> <td style="width: 50%;">APPROVED AND RECOMMENDED BY:</td> </tr> <tr> <td>SUPERINTENDENT _____</td> <td>Works Manager _____</td> </tr> <tr> <td colspan="2">ASST. TO WKS. MGR. _____</td> </tr> </table> <p>NOTE: Retain one copy and send original and three copies to Staff Supervisor of Compensation and Production Standards.</p>			CHECKED:	APPROVED AND RECOMMENDED BY:	SUPERINTENDENT _____	Works Manager _____	ASST. TO WKS. MGR. _____	
CHECKED:	APPROVED AND RECOMMENDED BY:							
SUPERINTENDENT _____	Works Manager _____							
ASST. TO WKS. MGR. _____								

Figure 23. Occupational Classification or Reclassification Recommendation Form—American Rolling Mill Company

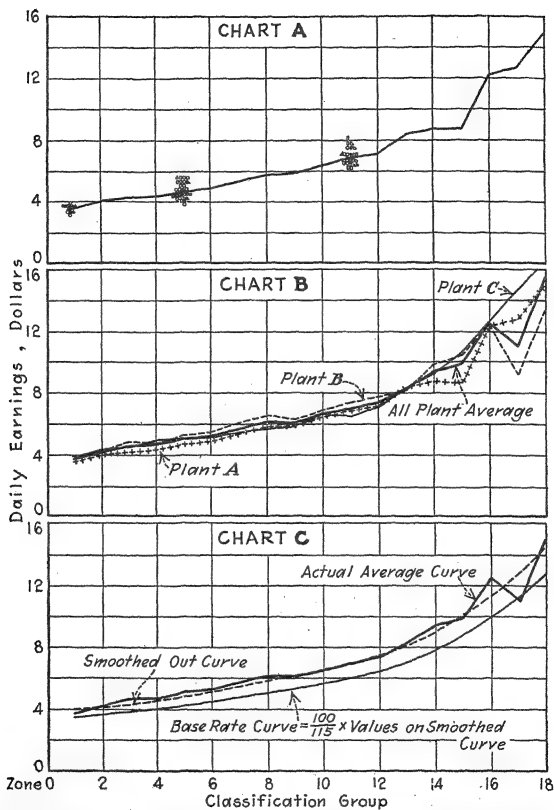


Figure 24. Charts of Daily Earnings and Classification Groups in the American Rolling Mill Company

Mill Company, Kimberly-Clark Corporation, Cincinnati Milling Machine Company, Goodyear Tire and Rubber Company, Leeds and Northrup Company, and the Frigidaire Corporation.

Factor Comparison Methods.—Related to, but different from, the job ranking methods is the Factor Comparison Method⁵ of job evaluation. This method expresses the evaluation in cents per hour—not in points. It uses five factors—mental requirements, skill, physical requirements, responsibilities, and working conditions—for making comparative judgments. Job specifications are divided into these same categories. There is no upper arbitrary limit. Each factor is compared to that factor in other jobs. Repeated judgments of competent persons are averaged for final figures. Key jobs are ranked according to the value of each factor, and the value of that factor in dollars and cents is determined. Ranks and rates are matched, and the resulting scale is applied to the other jobs.

The Point System of Job Evaluation

The point system of job evaluation is an attempt to make the evaluation of jobs more definite than by the ranking method. The job is divided into its factors, and those factors are weighted according to their value. Then by rating the job on each factor according to the points assigned, a numerical value in points for the job results.

The steps in evaluating jobs by the point system are usually as follows:

1. The selection of factors.
2. The weighting of the job factors in points.
3. The preparation of job description, job analysis, and point rating forms.
4. The description, rating, and evaluation of all the jobs.
5. The correlation of the point values with rates or wages.
6. The adjustment of wages which are too high and too low for the value of the job.

The first step in the point system, the selection of job factors, is to decide what the essential factors of typical jobs are within the specific company concerned. Some companies simply accept the point systems as worked out by their own or other trade associations or professional societies, and adapt those point systems to their particular company, changing them to meet local conditions. Examples of such association and society

⁵ For a description of this method, see E. J. Benge, *Job Evaluation and Merit Rating*, New York, National Foreman's Institute, 1941.

point systems are those of the Industrial Relations Department of the National Electrical Manufacturing Association, the National Metal Trades Association, and the Industrial Management Society of Chicago. Many companies have modeled their job evaluation plans on those systems.

In some companies a committee of officers principally concerned with job evaluation meet and discuss the various job factors which are essential in that particular company. In one company each of the various persons responsible for job evaluation made a list of the essential factors and weighted them; then a composite list of factors and weightings was made from these individual lists of factors and weightings. This was followed by discussions of the various points until the factors and their point values were agreed upon. The total number of points assigned to the evaluation seems to be somewhat arbitrary and appears to make but little difference in the final result within the company. When the point values differ, it is difficult to compare similar jobs in different companies by the comparison of assigned point values.

The Industrial Relations Department of the National Electrical Manufacturers Association have selected the following factors varying in degree in assigned point values—the total number of points (score) determines the job grade:

TABLE 6. POINTS ASSIGNED TO FACTORS AND KEY TO GRADES

Factors	1st Degree	2nd Degree	3rd Degree	4th Degree	5th Degree
SKILL					
1. Education	14	28	42	56	70
2. Experience	22	44	66	88	110
3. Initiative and Ingenuity....	14	28	42	56	70
EFFORT					
4. Physical Demand	10	20	30	40	50
5. Mental or Visual Demand..	5	10	15	20	25
RESPONSIBILITY					
6. Equipment or Process	5	10	15	20	25
7. Material or Product.....	5	10	15	20	25
8. Safety of Others.....	5	10	15	20	25
9. Work of Others	5		15		25
JOB CONDITIONS					
10. Working Conditions	10	20	30	40	50
11. Unavoidable Hazards	5	10	15	20	25
Total Points					500

The Westinghouse Electric & Manufacturing Company gave its essential factors in percentages and then subdivided the three main factors as follows, assigning the point values as given:

SUMMARY OF JOB REQUIREMENTS

I. Knowledge and Training Required—65%		
(A) Basic Education	0-100	
(B) Knowledge of Methods and Equipment or Experience	0-100	
(C) Initiative and Ingenuity or Manual Skill or Ability	0-125	
II. Specific Demands of Job—20%		
(A) Physical Application	0-40	
(B) Mental or Visual Application.....	0-40	
(C) Unusual Features	0-20	
III. Responsibilities Involved—15%		
(A) For Equipment	0-25	
(B) For Product	0-25	
(C) For Safety of Others.....	0-25	
Total Points	0-500	

The Steel Workers Organizing Committee in its handbook, *Production Problems*, considered the following factors and points as exemplary:

	Maximum Weight	Job A	Job B
Physical Effort	5	1	5
Personal Skill	5	4	2
Hazards	5	0	1
Strain	5	2	0
Disagreeableness	2	2	0
General Education	2	2	0
Special Job Instruction.....	4	1	4
	28	12	12

The definition of each factor varies with different companies and organizations. The General Electric Company used the following six characteristics and definitions:

Characteristics	Relative Weights	
	High	Low
Mentality	100	- 0
Skill	400	- 0
Responsibility	100	- 0
Mental Application	50	- 0
Physical Application	50	- 0
Working Conditions	100	- 0
Base Points	400	- 0

MENTALITY. By Mentality is meant schooling, acquired either in a formal or an informal way, that an individual must have before he can qualify to learn the job in question.

SKILL. Skill is defined as learning time. By this is meant the total time spent in various assignments that is necessary before an individual is qualified for the job in question, plus the normal amount of time required on the job so that he is competent to do that job in an expeditious manner.

RESPONSIBILITY. Responsibility is measured by the chance of error and its probable cost either in materials or machinery.

APPLICATION. Application, either Mental or Physical, is the degree and continuity of such application performed on the job.

WORKING CONDITIONS. Working conditions refer to conditions surrounding a job which make it less desirable than the ordinary job from the point of view of the type of operator required.

With these definitions as a basis, the General Electric Company selects key jobs having the highest and lowest ratings in each characteristic. Lists of some fifty key jobs have been developed. Each job is then evaluated on each separate characteristic by a comparison of that job to the key jobs in that characteristic. This is to a certain extent a combination of the ranking and point systems.

The most common method of defining job factors in the companies is to divide each factor into degrees from lowest to highest of that factor, such as the following definition for Initiative and Ingenuity under Skill by the National Electrical Manufacturers Association.

INITIATIVE AND INGENUITY

Initiative and ingenuity relate to the job requirements of ability for original conception, independent action, or exercise of judgment.

1ST DEGREE. Requires the ability to understand and follow simple instructions and the use of simple machines, gauges, and fixtures, where no decisions are required, since the employee is told exactly what to do.

2ND DEGREE. Requires the ability to perform general operations from detailed instructions and the making of minor decisions, requiring some judgment on the part of the employee.

3RD DEGREE. Requires the ability to understand and plan sequence of operations, where standard methods of procedure are available and the making of general decisions by the employee, within the limitations of standard methods.

4TH DEGREE. Requires a high degree of ability to understand, plan course of action and perform work where only general methods of

procedure are available. Requires the use of individual ingenuity, initiative, and judgment.

5TH DEGREE. Requires outstanding ability to think clearly, accurately and independently on complicated work not having standard methods of procedure. Requires a high degree of ingenuity, initiative and judgment.

Based on these definitions, the analyst judges the degree into which a particular job falls with respect to that factor. The point rating, having been already agreed upon for that degree, is thus simultaneously set.

Another method is to prepare tables for the correlation of the degree of the factor required by the job and the percentage of the time that that factor is exercised. The United States Steel Corporation prepared a job evaluation manual for its subsidiary companies to use in this manner in evaluating their jobs.

When the factors and their values have been decided upon, a job description and evaluation blank is usually prepared for describing each job and evaluating it. Figure 25 shows the form developed and recommended by the National Electrical Manufacturers Association. The National Metal Trades Association has gone one step further and prepared sample ratings on certain key jobs, such as boring mill operator, and added exemplary substantiating data⁶ which facilitate more accurate decisions as to the degrees and, thereby, the points to be assigned to a factor of a job. The job analysts, the industrial engineer, or the representative from the personnel department uses such forms as these in describing and evaluating each job, basing his evaluation upon interviews with each employee, the foreman, and all others who may know the details of that particular job. Some companies establish key jobs and then compare the factors of the jobs to be rated to the factors of the key jobs, as in the Factor Comparison Method mentioned before. Others rate each job on all factors.

After the job is evaluated according to the several factors, the total points for each job are determined by adding the points given for all factors. The jobs are then listed from the lowest to the highest by departments, divisions, or by the company as a whole. When this has been done, the rate or wages paid or to be paid can be correlated with the point values for each job. The actual rates or wages can then be added on the chart to show the discrepancies which exist between the amount paid for the job and its evaluated worth.

If the rate or wage is relatively lower than it should be according to the evaluation, the company usually takes the first means possible to bring

⁶ See sample in National Metal Trades Association's *Job Rating*, Chicago, 1938, p. 8.

JOB RATING SHEET																																																																																																																																																																																																	
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<ol style="list-style-type: none"> 1. Get necessary cams, chucks, tools, etc. from tool crib according to job layout. 2. Set up and adjust machine. 3. Grind and sharpen cutting tools and blades. 4. Operate group 2 to 5 machines depending on work requirements. 5. Determine proper feeds and speeds, where not specified. 6. Maintain tool set-up. 																																																																																																																																																																																																	
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<ol style="list-style-type: none"> 1. Work from prints and job layouts. 2. Able to select proper cams, tools, chucks, cutters, blades, etc., if not specified on layout. 3. Work to close tolerances using complicated tool set-ups. 4. Able select proper cutting lubricant. 5. May direct the work of helpers. 6. Education equivalent to grammar school plus 4 years apprenticeship. 																																																																																																																																																																																																	
SAFETY REGULATIONS AND HAZARDS																																																																																																																																																																																																	
Remote possibility of dermatitis from cutting oils and lubricants.																																																																																																																																																																																																	

Figure 25. Job Rating Sheet

(National Electrical Manufacturers Association, New York.)

the wage up to the value. If the employee is being paid more than the job is worth according to the evaluation, the usual solution is to wait, letting labor turnover cause a change of employees on that job, and then pay the reduced rate to the new employee. That employee can also be transferred to a higher evaluated job. The increases and decreases help equalize themselves. Usually it means an increase for about 40% of the jobs. The revision of rates and wages in one company resulted in an

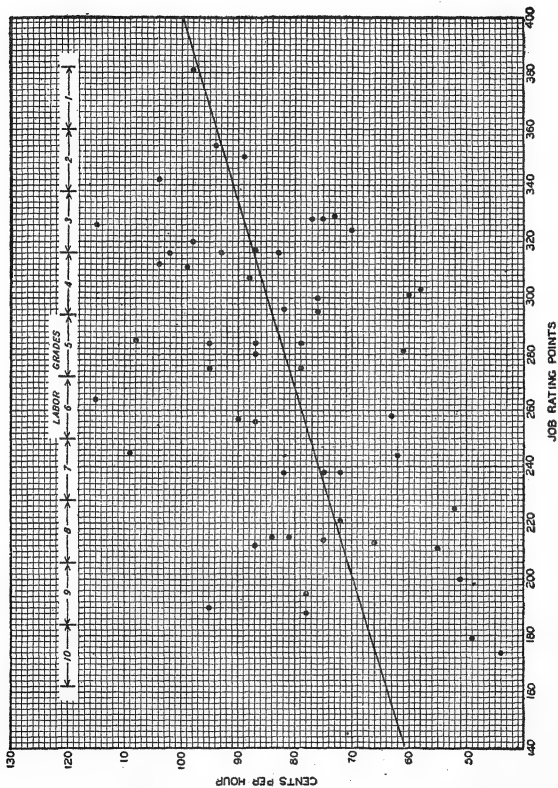


Figure 26. Correlation Average Hourly Earnings and Job Rating Points
(Metal Trades Association, *Job Rating*, Chicago, p. 11.)

approximate $\frac{1}{2}$ of 1% increase in the payroll. During 1944 the Wage and Salary Stabilization of the War Labor Board and Treasury Department usually allowed only a 2% and 3% increase because of evaluation.

After every job has been evaluated in terms of points, a chart is sometimes prepared beginning at the base rate for the evaluation of the lowest job ascending through the various jobs according to their values to the highest valued job, as shown in Figure 26. Such a graph can then

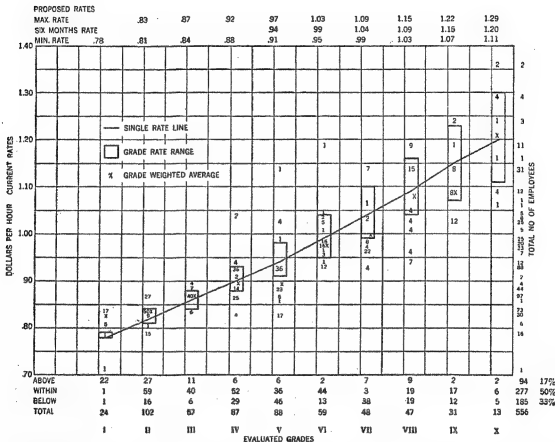


Figure 27. Comparison of Employees' Current Rates with Proposed Rate Structure

be used in finding the rate or wage for new jobs that are subsequently evaluated by this point system.

Some companies divide the points from lowest to highest into eight or ten grades, each having an equal number of points. The rates are divided into a similar number of grades, each with a range of rates—a minimum, midpoint, and maximum. The actual rates and the evaluation by grades are compared to show rates which are being paid that are too low or too high according to the evaluation. Figure 27 gives such a comparison of rates and evaluated grades.

Advantages and Disadvantages of the Two Systems

Those in favor of the point system contend that it is difficult to agree upon evaluations by the ranking methods through argument and discussion; and that the ranking system is vague and has no definite basis for the evaluation. One industrial engineer said that he could not get his job evaluation committee to agree upon the values of different jobs because individual members of the committee placed a sort of halo over certain jobs and would not agree to their evaluation. The argument continued until they finally discarded the grading system and adopted the point system. Those in favor of the point system also contend that almost anything worth while is difficult; that the point system is more definite and more objective than the grading system; that through proper training it can be understood by all those concerned; and that it furnishes management with a more explicit basis for presenting job evaluations to the employees, individually, or collectively in a union.

It is evident that one plan might be better adapted to one company whereas some other plan would be better for another company. Probably either type of plan can accomplish the results desired, given the right opportunity.

Those in favor of the ranking system contend that it is simpler, and easier for the foreman, analyst, and workers to understand. They contend that the point system is too theoretical, too hard to understand, too mechanistic, that the jobs cannot be practically evaluated into definite figures as closely as the point system attempts to do. Furthermore, they say the point system causes too much argument or too little agreement as to the resulting point values.

It is the opinion of the author that the point system is better than the ranking system or the informal comparison to community rates because of the following advantages:

1. It is more definite, more systematic, and more objective.
2. It attempts to eliminate personal opinion and prejudices more than does either the ranking system or the informal system.
3. It is reasonable to expect that the sum of the judgments of the factors or elements of a job is more correct than the judgment of the job as a whole, as has been found true in time and motion study where the sum of the times of the *therbligs*, or elements of a job, has been found to be better than the overall time.
4. It is easier to compare the existence of the same factors in widely dissimilar jobs than it is to compare those jobs as a whole.

5. It appears to decrease argument because agreements as to the value of the elements seem to be more easily reached than the agreements as to the rank of each job as a whole.
6. It tends to make the judgment factor in job evaluation less personal and more exact, because it is believed that the job analyst can judge each factor more impersonally and more definitely than he can judge the job as a whole.

These reasons do not mean that the ranking system of job evaluation is valueless. It has accomplished excellent results in some companies and is even preferred by some unusually competent personnel directors of long experience. This study of the job evaluation plans in thirty-two companies indicates, however, a preference for the point system among the larger number of companies.

Job Evaluation in the Future.—In the future the following should be considered for the improvement of job evaluation:

1. More extensive use of job evaluation methods in a greater number of companies and more industries.
2. A greater standardization of the methods used by the different companies so that comparisons can be made between companies and between industries.
3. The factors or elements of the job should be made more objective in an attempt to obtain a numerical measurement, if such is possible, on the factors by which a job is evaluated.
4. The factors of the job should be considered as accurately and minutely as the cost of the evaluation will permit.
5. Greater participation by and cooperation with labor unions, and their representatives, in evaluating jobs.

These considerations will require conferences and greater cooperation among companies and among employer associations, such as has been recently shown between the National Electrical Manufacturers Association and the National Metal Trades Association, toward greater standardization of job evaluation methods, and similarly with the unions.

The minutiae of job evaluation could be developed to the point where the cost of an evaluation would be greater than any possible additional benefit that could be derived from the evaluation, but wise management will see that this will not happen.

Unions, such as the United Steel Workers (formerly the Steel Workers Organizing Committee) of Pittsburgh,⁷ have sent to their locals a

⁷ See *Production Problems*, Publication 2, Pittsburgh, Steel Workers Organizing Committee.

description of the use of the point system for evaluating jobs. It would seem advisable then for the unions and management or the employers' associations to cooperate, so that the methods of evaluating jobs will agree even before the rate is negotiated or established by collective bargaining. This should prevent many wage difficulties from occurring. After 1943 many of the job evaluation plans were developed jointly by the managements and unions.

It seems certain that in the future both management and employees, either individually or collectively, are going to demand more scientific methods of evaluating jobs. If scientific methods of evaluation are applied and the right wages are paid for each job, one of management's first needs in personnel and industrial relations will be supplied.

A company or a union may agree with this analysis of job evaluation plans but still be wondering what to do, whether to develop a plan in a particular company or union, or adopt one of those developed by some other organization. It may be well for each company's own practical personnel benefit to develop its own tailor-made job evaluation plan, with the assistance of an expert in evaluation, unless its work and products fit very closely the work of a trade association or another company. The process of going through the development of a job evaluation plan is almost as important as the plan after it is devised. Also, each company is different from the others, and a job evaluation plan may have to be made to fit.

Steps in Developing a Job Evaluation Plan

The steps in developing a job evaluation plan by the point system are:

1. Explanation of objectives and procedures to all concerned—top management, union officials, foremen, and shop stewards.
2. Appointment of joint evaluation committee and teams to make job descriptions and evaluations.
3. Develop a job measurement guide—decide upon factors, their weightings, degrees, and points.
4. Obtain a job description for every job and the job requirements.
5. Evaluate the jobs and positions.
6. Price the jobs—place a dollar value on the jobs.
7. Develop the wage structure—job grades and rates, and a plan of wage administration.
8. Administer the job evaluation plan, wage policies, and wage standard practices.

CHAPTER 7

PERSONNEL RATINGS

To rate means to set an estimate on, to appraise, or to put a value on. To rate the personnel of a company is to put an estimate on the value of an employee or the employees. Rating appraises the employee's relative value in his job and in the organization. It is a judgment of how well he does his job. It is not a measurement, because to measure is to compare with a standard. Personnel qualities are not measured in accurate standard units. Cooperation, dependability, appearance, and adaptability have not been measured in standard units (i.e., in inches, bushels, or pounds). Even though personnel qualities cannot be accurately measured, we do judge each other's traits as good or bad, high or low, etc. Man has been judging man ever since the first two persons met, and business and industrial affairs have been based on human judgments even though those judgments could not be measured accurately in standard units. Those judgments have been ordinal in nature. They have been made relatively by comparison of one person with another or a group as excellent, good, fair, and poor; or high or low; or above average, average, or below average, etc., even though not in standard units.

In recent decades industry and education have developed plans, procedures, techniques, and forms by which these judgments can be recorded more accurately, systematically, and definitely. These practices are called *personnel ratings*, *employee ratings*, *service ratings*, *merit ratings*, and just *ratings*, and are accomplished by means of the use of forms called *rating scales*. Additional investigations, developments, and research are being and should be carried on in order to make ratings more and more objective and standardized as time goes on. Though ratings are not measurements, they have their purposes and uses in industry today.

All men are not equal in abilities or in the capacity to make themselves do the most effective job. The employer has the responsibility of telling the worker what is expected of him, how well he does each duty, and of training him to do those duties as well as he can in order to derive the greatest satisfaction from his work. These ideas then lead the employer to evaluate the employee's qualifications in order to find out what strong points the employee has that can be used to greater advantage to himself and his employer, and what weak points that employee

has which can be corrected. This has brought about the evaluation of the employee's qualifications and progress, by means of *personnel ratings*.

Reasons for Rating Personnel

The object in having a rating plan is to determine the progress of each employee, his status at the time of his last rating, his present value, and the prospects for his future development in the company. A rating procedure endeavors to determine the worth of an employee in his job—how well he does his job, his value to the company as a whole, how he as an individual employee is improving and can improve from the standpoint of his own personal development, what his strong and weak points are, and how he compares with other workers. In general, purposes of rating are:

1. To determine an employee's strong and weak points for the encouragement of greater use of the strong ones and the improvement of the weak ones.
2. To determine how well an employee does his work.
3. To give a more definite and more accurate judgment of the value of a worker in comparison with his fellow workers for the purpose of selection, training, promotion, and layoff.
4. To show the personal progress of an employee from one rating to another over a period of time.
5. To provide a definite means of considering individual merit, not based upon personal prejudice and favoritism.
6. To provide a means of judging more definitely intangible characteristics which cannot be measured in standard units.
7. To aid the raters in judging human characteristics more accurately and analytically.
8. To stimulate employees in self-improvement.
9. To develop morale and employee confidence by the consideration of the employee based upon merit.
10. To make personal judgments more standard, and a matter of record.

The Use of Ratings

The purposes of ratings are accomplished by use in the following management functions:

1. Selection of workers.
2. Employee development and adjustment.

3. Training of employees.
4. Rating for improvement of foremen.
5. Wage control and adjustment.
6. Improvement of employee-employer relations and morale.
7. Promotion of employees.
8. Layoff of employees and determination of priority of men of same seniority.

Significant is a decision of the National Labor Relations Board upholding the Interlake Iron Corporation's use of employee merit ratings to determine order of layoff. In this instance, the Board found no evidence that the merit rating system was being used as a means of discriminating against employees for union activity. This action in support of formal rating as a valid instrument for determining the relative merit of workers offers encouragement for acceptance of this personnel technique. One union agreement, only recently renewed, provides for the rating of employees once every three months as part of the company's job classification system. The ratings are then used to arrive at possible wage adjustments at stated intervals.¹

In a number of the governmental bureaus, service ratings are compulsory and are established by law. With ratings used to a great extent in private industry and established in governmental bureaus by law, it can be seen that rating has become an accepted procedure of good management in this country.

There are many objections and faults to ratings. But ratings can serve as a practical technique for the development of employees and for the other purposes given. They should not be used alone. The most effective rating system fits in as one part of the larger personnel and industrial relations program, which includes good personnel policies, job evaluation, employment procedures, training and education, and the other personnel functions which go to make up a good personnel program.

Extent of Use and Description of Rating Plans

Extent of Use of Rating Scales.—The extent to which rating plans were and are used in industrial concerns is shown by the following investigations. In 1934 the author ² found that 34.3% of 233 companies investigated maintained rating plans in their company, and that 31.8% of the companies rated their employees periodically. In 1936 the National Industrial Conference Board found that 363 companies of the 2,452

¹ "Strictly Personnel," *Personnel*, May, 1943, Vol. 19, No. 6, p. 702.

² J. E. Walters, *Modern Management*, New York, John Wiley & Sons, 1937.

investigated maintained rating systems and that 38% of the 4,502,608 employees were in those companies which used the rating system.³

Starr and Greenly⁴ made a survey in 1938-39 of 64 companies, with 44 replying to their survey, and found that about one-third of the companies replying were using merit rating plans.

The National Industrial Conference Board found in March, 1940 that 13.6% of 2,700 companies investigated had periodic evaluations of salaried employees, or 33% of the employees in those companies; and 16% of the companies (or 33% of the employees) had periodic evaluations of hourly paid employees.⁵

Man-to-Man Comparison Scale.—One of the first rating systems to be used to any considerable extent was the rating scale employed during World War I for rating officers in the United States Army. It was used to determine and record the relative efficiency of individuals rated. This rating scale used during the war is commonly called the "*man-to-man comparison scale*" or the "*Scott man-to-man rating*," shown in Figure 28. It contains five divisions: physical qualities, intelligence, leadership, personal qualities, and general value to the service.

In filling out each division, the rater made a list of five persons among his acquaintances whom he considered, in regard to that qualification, as highest, lowest, average, midway between high and average, and midway between lowest and average. He then used these five persons as standards for comparing the individuals being rated. Numerical values were set for each grade. For the first item, *physical qualities*, the highest man received 15 points, the lowest 3, and so on. The rater estimated the ability of the person being rated in comparison to those on his master scale of individuals for each quality. If he thought the person to be about the same in that ability as the highest in the scale, he gave him 15 points. If he compared with the lowest, he received 3, and so on. Finally, a total rating for all characteristics was made and recorded for each officer. Distributions of the ratings of the group, or groups, were made, from which a comparison could be made of each officer with the group.

This scale was considered somewhat cumbersome, and usually the rater did not give the proper time and thought to the making of the master scale. Also, the master scales for different individuals varied so

³ National Industrial Conference Board, "What Employers Are Doing for Employees," New York, 1936, p. 24. Also see the Conference Board's "Plans for Rating Employees," New York, *Studies in Personnel Policy*, No. 8, June, 1938, for information received from 94 companies on their plans for periodic rating of employees.

⁴ R. E. Starr and R. J. Greenly, "Merit Rating Survey Findings," *Personnel Journal*, Vol. 17, No. 10, April, 1939, p. 378.

⁵ National Industrial Conference Board, "Personnel Activities in American Business," New York, *Studies in Personnel Policy*, No. 20. The Conference Board Management Record Supplement, March, 1940, p. 9.

<p>I. PHYSICAL QUALITIES</p> <p>Physique, bearing, neatness, voice, energy, endurance. Consider how he impresses his command in these respects.</p>	<p>Highest 15</p> <p>High 12</p> <p>Middle 9</p> <p>Low 6</p> <p>Lowest 3</p>
<p>II. INTELLIGENCE</p> <p>Accuracy, ease in learning; ability to grasp quickly the point of view of commanding officer, to issue clear and intelligent orders, to estimate a new situation, and to arrive at a sensible decision in a crisis.</p>	<p>Highest 15</p> <p>High 12</p> <p>Middle 9</p> <p>Low 6</p> <p>Lowest 3</p>
<p>III. LEADERSHIP</p> <p>Initiative, force, self-reliance, decisiveness, tact, ability to inspire men and to command their obedience, loyalty, and cooperation.</p>	<p>Highest 15</p> <p>High 12</p> <p>Middle 9</p> <p>Low 6</p> <p>Lowest 3</p>
<p>IV. PERSONAL QUALITIES</p> <p>Industry, dependability, loyalty; readiness to shoulder responsibility for his own acts; freedom from conceit and selfishness; readiness and ability to cooperate.</p>	<p>Highest 15</p> <p>High 12</p> <p>Middle 9</p> <p>Low 6</p> <p>Lowest 3</p>
<p>V. GENERAL VALUE TO THE SERVICE</p> <p>Professional knowledge, skill, and experience; success as administrator and instructor; ability to get results</p>	<p>Highest 40</p> <p>High 32</p> <p>Middle 24</p> <p>Low 16</p> <p>Lowest 8</p>

Figure 28. Rating Scale Used by the United States Army During World War I

(Committee on Classification of Personnel in the Army, *The Personnel Manual—The Personnel System of the United States Army*, Vol. II, C.C.P. 400, Washington, D. C., 1919, p. 260.)

that the measuring stick was not uniform for different raters. In spite of the difficulties in the construction and use of this scale, 60 points were found to be about the average for any considerable body of individuals, and the distribution of the total ratings was found to be practically a normal distribution. The deviation from the normal would distinguish camps as rating unjustifiably high and low, as the case might be. With adequate instructions and care in making the comparison scales, these ratings were found to warrant the amount of time involved in making the

ratings, to the end that those of superior efficiency were placed in positions of greater responsibility with better results than if no rating scale had been used.⁶ The Army rating scale was used by many companies after the war, and man-to-man comparisons are still used as a part of the rating systems in some of the companies today.

After the war many companies adopted rating plans as an aid to personnel management and varied them to fit the needs of their particular concerns. In addition to the man-to-man comparison scale, several other types of rating scales have resulted.

Order of Merit Rating.—Another form of rating is *order of merit*. The rater ranks the individuals in a group according to the order of merit in each ability; the man highest in that ability receiving the highest rank, and the lowest, the bottom rank. A method closely related to this is that

Characteristics	Exceptional	Above Average	Average	Below Average	Poor
1. PERSONAL QUALITIES					
Dependable
Industrious
Open-minded
Loyal
Tactful
Cooperative
Self-control

Figure 29a. Order of Merit Scale

of classifying the individuals into groups such as average, above average, or below average; highest, high, low, and lowest average; or first, second, third, fourth, and fifth fifths. After each trait the rater checks in the space in which he considers the person being rated stands with reference to his associates. A sample of this type of scale is shown in Figure 29a, used by the personnel department of Armour and Company in grading employees.

Yes-and-No Rating Scale.—There is also a yes-and-no rating scale, on which definite questions are asked concerning the abilities of the person, to which the rater answers yes or no. A sample would be: "Is he honest?" Yes.. No... This type of scale is often used where the ability does not have grades or degrees. For example, a man may be either loyal or disloyal.

⁶ Committee on Classification of Personnel in the Army, *The Personnel Manual—The Personnel System of the United States Army*, Vol. II, C.C.P. 400, Washington, D. C., 1919, pp. 252-275.

Some scales have a numerical, letter, or percentage basis of rating. For example, the scale may be from 1 the lowest, to 5 the highest, and persons are rated 1, 2, 3, 4, or 5 from lowest to highest according to their ability. Scale 1 to 10 is used frequently, as well as 2, 4, 6, 8, and 10 divisions. Letters such as A, B, C, D, and E, with A as highest and E as lowest, are also employed. A man is sometimes judged in terms of percentage, from 1% to 100%, 100% being the greatest amount of ability he can possess. Some companies consider 60% as the lowest passing mark in any ability on the scale.

Linear Scale.—Other rating sheets employ a linear scale, by having a straight line after each trait to represent the range of the ability from the lowest at one end to the highest at the other. Figure 29b is a sample of this type of scale, used by the Detroit Edison Company.

PERSONAL QUALITIES		
Common sense, industry, dependability, judgment, initiative, force, self-reliance, punctuality, courtesy, temperament, sense of humor, freedom from conceit and selfishness, readiness and ability to co- operate, etc.	Poor	Excellent

Figure 29b. Linear Rating Scale

Descriptive Phrase Rating Scale.—A number of scales have descriptive phrases after each trait, such as Figure 29c, used by the American Radiator and Standard Sanitary Corporation.

HOW DOES HIS APPEARANCE IMPRESS YOU?	
Creates fine impression	_____
Appearance satisfactory	_____
Makes poor appearance	_____

Figure 29c. Descriptive Phrase Rating Scale

Comparative Rating Scale.—Other phrases used are comparative, such as perfect, excellent, good, fair, poor, and deficient. Combinations of phrases and numerical ratings have often been used, as the scale used by Lord and Taylor (Figure 29d).

Probst Rating Form.—J. B. Probst devised a rating form ⁷ composed of seventy-five actions or behavior characteristics which have been con-

⁷ J. B. Probst, "Service Ratings," Chicago, Bureau of Public Personnel Administration, etc., *Technical Bulletin* No. 4, 1931, pp. 24-25.

If in your opinion the executive should be rated:										
Perfect mark	10									
Excellent	"	8								
Good	"	6								
Fair	"	4								
Poor	"	2								
Deficient	"	0								
(Names here)										
(Reverse side)										

1. HEALTH	In rating for HEALTH, consider regularity of attendance, attitude toward work, and general physical condition.
2. INITIATIVE	In rating for INITIATIVE, consider resourcefulness, and ability to work without continual direction.
3. INDUSTRY	In rating for INDUSTRY, consider constancy of application to work. (Etc.)

Figure 29d. Comparative Rating Scale

sidered definite enough to be understood generally by the raters. Raters do not designate the degree of possession in the person being rated, but check only those items of actions and behavior which the raters know.

The Probst system endeavored to eliminate the usual defects in rating, such as the "halo" effect, the adjustments of ratings for high and low ratings, etc. It tried to make ratings more objective, and has done much to improve ratings especially in governmental, state, and municipal agencies.

Report on Employee's Service.—Ordway and Laffan⁸ made a study of various types of scales in use in 1935 and especially those used in the New York City Civil Service over a period of some thirty-five years. They found many objections to the various rating systems in use in and out of the Civil Service. In order to make the rating more objective, they developed the report on employee's service (Figure 30). This form attempts to obtain ratings based on objective actions and accomplishments, definite evidence, factual acts, and results rather than on the judgments of subjective characteristics, hearsay, guesses, and judgments based on personal opinion. They have found this rating form more effective in the New York City Civil Service Commission than the older rating scales.

⁸ S. H. Ordway, Jr. and J. C. Laffan, "Approaches to the Measurement and Reward of Effective Work of Individual Government Employees," Supplement to the *National Municipal Review*, October, 1935, Vol. XXIV, No. 10, National Municipal League, New York.

Governmental Rating Plans

Rating scales have followed the developments as described in the sketch of the historical background until today companies and governmental agencies have variations of one or many forms of these rating scales and systems with new features.

President Roosevelt recommended in the spring of 1939 that every state be required, as a condition for the receipt of federal funds, to maintain a merit system for the selection of personnel. This emphasized the importance of ratings in the governmental service. Section 9 of the Classification Act of 1923 granted the original authority for rating employees on the basis of efficiency. These efficiency ratings are maintained in departments under the United States Civil Service Commission regulations. Also, other departments can adopt efficiency rating system if they desire. William C. Hull, the Executive Assistant of the United States Civil Service Commission, describes the efficiency rating system in the federal service as follows:

The standard procedure for rating efficiency now in effect in the Federal departmental service is here briefly outlined. Once a year the departments and independent establishments subject to the provisions of the Classification Act of 1923, as amended, prepare efficiency ratings for the employees under their jurisdiction coming within the scope of the Act. Instructions for the preparation of the ratings are contained in the enclosed Departmental Circular No. 133, and the forms 3200 and 3201 [Figure 31], are the graphic rating scales used in arriving at the final ratings for individual employees. After the steps outlined in the circular have been completed, the final report is submitted to the Commission on Form 6B which is kept on file in the Commission. No action is required as a result of this report unless a demotion or dismissal on account of inefficiency is involved. In such cases, the ratings must be investigated to ascertain that all the regulations have been complied with, the proper factors considered, and there are no mechanical errors. The Commission, however, may not review the merits of the rating nor substitute its judgment for that of the rating officer.

The efficiency ratings received determine whether an employee may be (a) eligible for promotion to the maximum of his grade if his efficiency rating is Excellent or Very good, (b) continued at his existing rate of pay if it is Good, (c) demoted one salary step if his rating is Fair, and he is receiving compensation above the middle rate of his grade, and (d) dismissed or reassigned to lower grade work, if such a position is available, if his rating is Unsatisfactory. Removals may also be required on account of reduction of force due to diminution of work or decrease in appropriations. The "separation ratings" given

FORM 108

CIVIL SERVICE COMMISSION
City of New York
REPORT ON EMPLOYEE'S SERVICE

O		RATING
R		

INSERT TWO CARBONS FOR TRIPLICATE ENTRY. PLEASE TYPEWRITE.

Employee's last name, first name, middle initial Title and Grade \$ Salary

Department

Division

Bureau

PART I: Place a cross (X) on the line after each one of the ten characteristics which fairly describes the work or conduct of this employee.

All Erasures Must Be Initialed

Did not cooperate	Often late or absent.....
Inspired others	Resourceful
Slow in work.....	Tactful
Learned quickly	Unprogressive
Work careless	Cooperative

PART II: If for this period, in addition to the characteristics checked above, you can substantiate with factual evidence any of the conclusions listed below for this employee:

Place a cross (X) after each applicable conclusion, and *specify on the reverse side* facts in support of the conclusions checked.

If you cannot present such factual evidence, skip PARTS II & III, and proceed to PART IV.

CONCLUSIONS

- _____ 1. Constructive criticism or proposal resulted in *major* change in organization or practice.
- _____ 9. Constructive proposal resulted in useful minor change in organization or practice.
- _____ 15. Repeatedly helped solve *specified* new problems effectively.
- _____ 20. Displayed *unusual* initiative.
- _____ 2. Neglected duty, or performed act, *resulting in injury*, to person, property or service.
- _____ 10. Acted carelessly or with misjudgment, *resulting in detriment* to service.
- _____ 21. Showed poor judgment.
- _____ 3. Accomplished demonstrably *unusual* quantity and quality of work.
- _____ 11. Accomplished demonstrably *unusual* quantity or quality of work.
- _____ 13. Performed _____ hours necessary productive *specified* overtime without *added* compensation or time off. (Specify hours here, and details on reverse side.)
- _____ 24. *Unusual* dependability evidenced.
- _____ 4. Accomplished demonstrably inadequate quantity and quality of work.
- _____ 12. Accomplished demonstrably inadequate quantity or quality of work.
- _____ 5. Insubordination or use of liquor resulted in detriment to departmental discipline.
- _____ 16. Temperament or disobedience or violation of rules resulted in detriment to service.
- _____ 23. Violated departmental rules.
- _____ 25. Trouble maker.
- _____ 6. Performed heroic act above and beyond call of duty at *risk of life and limb*.
- _____ 19. Performed heroic act above and beyond call of duty.
- _____ 7. Performed act or service of *unusual value* beyond responsibility of position without additional compensation, within title, or in an emergency beyond title.
- _____ 17. Performed work of higher or additional responsibility, in addition to own routine without additional compensation, within title, or in an emergency, beyond title.
- _____ 22. Utilized *unusual* experience.
- _____ 8. Unexcused absence or lateness resulted in detriment to service or property.
- _____ 18. Lateness or absence impaired usefulness.

Figure 30. Report on Employee's Service

On the reverse side of this form is space for giving: what the employee did to support the conclusions in Part II; confirmation that the employee worked without interruption; and a recommendation of approval of the evidence.

This rating covers service for period from _____ to _____

Form 3200—(April 1935)
U. S. Civil Service Commission

SERVICE RATING FORM
(Read instructions on back of this form)

Check one:
Supervisory ☐
Non-supervisory ☒

CLASSIFICATION SYMBOLS

Grade	Step	Letter
9	1	A

Name John Smith Department Legal

(Name) (Division) (Section)

On these below mark employees:
✓ If neither strong nor weak point.
+ If weak point.
→ If strong point.

- Underline the elements which are especially important in the position.
- Mark non-supervisory employees on all elements except those in *italics*.
- Mark supervisory employees on all elements.

I. QUALITY OF PERFORMANCE

Base rating primarily on element (a), if known; otherwise on (b) and (c).

(a) Acceptability of work; thoroughness. 2

(b) General dependability; accuracy. 2

(c) Neatness and orderliness of work. 2

(d) Skill with which the important procedures, instruments, or machines are employed in performing his duties. 2

(e) Effectiveness in getting good work done by his unit. 2

II. PRODUCTIVENESS

Base rating primarily on element (a), if known; otherwise on (b) and (c).

(a) Amount of work accomplished. 5

(b) Application of time, interest, and energy to duties; industry. 5

(c) Promptness in completing assignments; speed. 5

(d) Effectiveness in securing adequate output from his unit. 5

III. QUALIFICATIONS SHOWN ON JOB

(a) Knowledge of duties and related information. 3

(b) Ability to learn and to profit from experience. 3

(c) Judgment, sense of proportion, common sense. 3

(d) Initiative and resourcefulness. 3

(e) Cooperativeness; ability to work with and for others. 3

(f) Effectiveness in developing and training employees. 3

(g) (Custodial only) Ability to perform such physical work as the job requires. 3

Sum of ratings 10

Rated by John A. Roe 5-15 (Date)

Reviewed by Richard A. Roe 5-17 (Date)

Report to employee

On the whole, do you consider the department and attitude of this employee toward his work to be satisfactory? Yes
(Answer "Yes", "No", or "Fairly so")

Sum of Ratings	Report to Employee	Guidance
3 - 7	Excellent.	Promotable within grade if below top salary.
8 - 13	Very Good.	Promotable within grade if below top salary.
14 - 19	Good.	No salary change if receiving middle salary or above; if below middle, promotable and beyond middle salary.
20 - 24	Fair.	Reduce one step if above middle salary.
25 - 30	Unsatisfactory.	Discontinue from present position.

For C-3 and C-4, the fourth salary rate will be considered the middle salary.

16-3081

Figure 31a. Service Rating Form—U. S. Civil Service Commission

employees in determining the order in which they shall be selected for dismissal on account of reduction of force are arrived at by adding to the last efficiency rating received at the regular rating period, a numerical credit for length of service and, in case the department desires, a limited credit for dependents. Persons entitled to military preference, whose efficiency ratings are Good, are placed at the top of the separation list.

Efficiency rating systems of this nature are in force in governmental bureaus, such as the Social Security Board, the Farm Credit Administra-

CONDUCT REPORT

(This space is to be used in case the question on the face of the sheet, regarding the employee's deportment and attitude, has been answered "No" or "Fairly so." In such a case give here a full statement of the particulars in which the employee's conduct has been unsatisfactory.)

Miss Smith usually receives very criticism of her work, which is sometimes careless or inaccurate. She is often inclined to be antagonistic when suggestions are made for improvement.

John Doe
(Rating officer)

INSTRUCTIONS TO RATING OFFICERS

1. Compare the qualifications and performance of each employee, as demonstrated by his work, with the actual needs of the position, considering the conditions under which the work must be done. Beginning with the lowest grade (CAF-1, P-1, SP-1, Cu-1, or CM-1), rate each series of classes (such as Junior Stenographer, CAF-2, Senior Stenographer, CAF-3, etc.) as a separate group. Keep in mind reasonable standards of performance for the various grades. The same rating standards should be applied to all competing employees in the same grade, irrespective of the fact that some may be receiving compensation at the minimum pay rate of the grade and others at higher rates.

2. The elements (a), (b), (c), etc., listed under each title (I, II, III) are not of equal importance. Underline the elements which are especially important in the position.

3. If the performance of an employee is neither strong nor weak with respect to an element, put a check mark (✓) on the line at the left of the element; if weak, a minus (-); if strong, a plus (+).

Differentiate carefully among the several elements. Extreme care should be taken to avoid basing all marks on some one strong or weak characteristic of the employee. A person who deserves a plus or minus on one element does not necessarily merit the same mark on all elements.

4. If in your judgment the employee is excellent on "I. Quality of Performance", indicate this by 1 or 2 in the box at the right;

If very good..... by 3 or 4

If good..... by 5 or 6

If fair..... by 7 or 8

If unsatisfactory..... by 9 or 10

Indicate your ratings on titles II and III in the same manner.

The numerical ratings on the titles (I, II, and III) are not derived by a mechanical summary of the element marks, but depend on the best judgment of the rating officer as to how well the employee meets the broader requirements of the position. This judgment is assisted by the element marks, but is not rigidly determined by them. These marks insure that the employee's performance on the elements which affect Quality of Performance, Productiveness, and Qualifications shown on the Job will be considered.

5. The rating to be reported to the employee by the board of review is the adjective corresponding to "Sum of ratings" on I, II, and III, as given in the table at the bottom of the rating form.

6. Marks and ratings should first be made lightly with pencil. After all your employees have been rated, compare and consider the marks and ratings assigned to the various employees in the same classes, make any necessary alterations, and indicate the marks and ratings in black ink.

7. The name of an employee rated on a service of less than 90 days should be followed by the notation, "Less than 90 days."

8. The question on deportment should be answered "Yes", "No", or "Fairly so." If the answer is "No" or "Fairly so", it should be explained in the space provided above. Rating officers should not allow unsatisfactory conduct to influence marks or ratings, except as it may actually affect an employee's performance on some specific element or elements.

9. Complete the ratings promptly. Submit the signed and dated rating forms to the reviewing officer.

INSTRUCTIONS TO REVIEWING OFFICERS

1. Compare the marks and ratings assigned by the different rating officers under your supervision, noting such corrections as may be necessary to secure reasonable uniformity of standards and accuracy in the marks and in the ratings.

2. Make corrections with red ink, but do not cross out or erase the marks or ratings made by the rating officer. Before any marks or ratings are changed discuss them with the rating officer.

3. Submit the signed and dated rating forms to the board of review promptly.

Figure 31b. Reverse Side of Service Rating Form—U. S. Civil Service Commission

tion, the United States Housing Authority, and the Home Owners' Loan Corporation. A brief description of the service rating in the H.O.L.C. follows as an example of the ratings performed in governmental bureaus.

Service Rating in the Home Owners' Loan Corporation.⁹—The Home Owners' Loan Corporation has established a service rating for

⁹ Summarized from *Service Rating Manual for Home Office*, Personnel Department, Classification Division, January 1, 1937.

use in fair and intelligent promotions, equitable salary administration, determining layoffs, training programs, improving performance, providing incentive for closer observation and supervision of employees by supervision, etc. The ratings are made by the employee's immediate supervisor, usually the section head, and reviewed by the executive next in line. After there has been a general review of all ratings by the department head, the ratings from all departments and agencies under the Federal Home Loan Bank Board go to a central rating review committee for final consideration. This committee consists of: (a) the Director of Personnel or his alternate, (b) a representative of the Board, (c) a representative of the Management of the H.O.L.C., (d) a representative of the Budget Office, and (e) the representative of the General Counsel.

These ratings are made every six months, on May 15 and November 15. The normal distribution of the ratings is usually as follows:

Excellent	6%
Very Good	24%
Good	40%
Fair	24%
Unsatisfactory	6%

Of course, these percentages merely represent a marked general tendency and do not hold true in all cases. They do, however, serve as a guide to those making the ratings. The special instructions to rating officers follow:

1. Before doing any rating, read carefully the instructions on the back of the service rating form and instructions included herein.

2. If you have any questions about the method of rating, be sure to have it answered before you make your ratings.

3. Rate your employees by groups according to their grades and the class or type of work performed. Take one group at a time.

4. Base your judgments on the employee's observed work, not on his potential abilities.

5. Each rating should be determined after considering the employee's work during the entire rating period. Guard against the error of basing your judgments entirely on the employee's work immediately preceding the rating period rather than on his long-run performance, or on isolated actions that are not typical of the employee's work.

6. Try to free your rating on any one factor from the influence of other phases of the employee's performance. For example, an employee might deserve a very good rating on "Quality of Performance" but be unsatisfactory on "Productiveness."

7. Guard against the natural tendency to rate employees too high. Extremes of ability are rare. Most people are near the average and relatively few have the higher or lower degrees of ability. Familiarize

yourself with section X of this Manual, relating to the "Probable Distribution of Ratings."

8. Do not allow unsatisfactory deportment to influence your ratings except as it may affect the employee's performance on the job. This item should be considered separately and be commented upon in the appropriate place on the form.

9. When several employees of the same grade and job-title are being rated at one time, it will help greatly if you first *rank* them on each separate factor on the rating form, before assigning numerical ratings.

10. Turn the completed rating forms over to the reviewing officer on or before the due date.

The ratings are reviewed by regional committees to assure a reasonable uniformity of standards, and tables and graphs are drawn up showing the distribution of ratings for each department and office. When the ratings have been approved by the central rating review committee, the results are recorded on a cumulative record on each personnel folder. Each employee is notified by letter how he came out on the rating—excellent, very good, good, fair, or unsatisfactory. The value of the rating is further enhanced when the supervisor discusses the results with the employee and offers suggestions on how he can develop himself and improve his work so he can assume greater responsibility when the opportunity occurs. On this discussion of the ratings by the supervisor and the employee, the central rating review committee makes this comment:

Much of the value of service ratings is lost unless the employee is informed of his shortcomings and counseled as to ways and means of making desired improvements. With service ratings constituting one of the basic factors in determining the order of layoffs, it is highly important that each employee know what his rating is, understand the points upon which he has been rated, and know the reasoning behind the rating assigned to him.¹⁰

Industrial Rating Plans

In order to explain rating in industry, the plans of the Westinghouse Electric & Manufacturing Company, the Armstrong Cork Company, and the Interlake Iron Company will be described briefly.

Westinghouse Electric & Manufacturing Company.¹¹—The Westinghouse Electric & Manufacturing Company considers that the performance ratings of employees answer the question "How well do em-

¹⁰ Home Owners' Loan Corporation Memorandum, *Service Rating Notices to Employees*, Central Rating Review Committee, May 1, 1939.

¹¹ Digest from the Westinghouse Electric & Manufacturing Company, "Performance Rating of Employees," *Industrial Relations Manual*, Part 7, Section 1, July 1, 1937.

ployees do their jobs?" Their job analysis procedure determines what an employee does in his job, and the performance rating shows how well he does it.

After an examination of the various rating methods and the division of the rating scale into qualities, the executives of the Westinghouse Company concluded that it was impossible to break the individual employee down into component attributes, and that it is of little value to speculate on abstract qualities because of endless arguments and discussion, which in their opinion would not be conclusive. They endeavor to *treat the man as a whole, and measure the usefulness of his acts*. They think of every man in terms of "his usefulness; of his reactions; of his performance; how he responds; the results he achieves; the confidence he engenders; the place he fills." This company groups their positions in seven classifications; unskilled, skilled, interpretative, creative, executive, administrative, and policy-making. They have determined what action is useful and expected in the fulfillment of each of the several group levels, and have devised in the form of questions the actions at those different levels. This scale forms the basis of the ratings for each of the seven positions. The questions for a group are those contained in the brace for that group. Though the questions in the groups overlap slightly, they bring to the mind of the rater what the employee in each group does.

Rating instructions and blanks are prepared for each group, as shown in the following example for Group I, Unskilled Positions.

The employees whose names appear on the opposite page all occupy positions that are similar or sufficiently so to fall in the same general group.

Certain action and performance that are recognized as expected and of merit in positions in this group are suggested by the following questions. These questions need not be regarded as an exclusive rating scale; the addition of other performance measures suggested by your own experience and knowledge of the work these employees are called upon to do is desired, and space is provided for them.

Is he on hand when needed?

Does he understand instructions and retain them?

Does he do his work with accuracy and dependability?

.....

Your method of scoring may conform to your own best practice. One way you may find effective is to go down the list of questions asking yourself each with respect to him you are rating. On a scratch pad make a "✓" if there is nothing very positive to say, or if the question does not apply; make a "+" if high; and a "-" if low. No effort

need be made to mechanically total these symbols—simply use them as a part of your judgment-forming process. . . . Then number the persons you are rating in the order of performance—the outstanding man within the group is given a one (1); the next, a two (2); etc., to the weakest or least mature in relation to the demands of the position.

Appropriate remarks may be recorded. It goes without saying that the results should express an impartial and accurate estimate. Anonymous comment such as "I have heard it said . . ." or "Those who know him best . . ." destroy the value of the score. Reasons for low scores are desirable. Preferably copies of the scores should not be made, but if they are, they should be personally retained by the scorer for his own further reference.

Score sheets should be dated and initialed, and may contain notation of any who have been consulted, and if based on direct observation or report.

These instructions are sent out by the Wage and Salary Administration Committee, composed of the executive vice president, the vice president and controller, and the vice president in charge of industrial relations. The blank contains the names of the employees in each group and is sent to the supervisor concerned for rating in accordance with the instructions. When the ratings are completed, they are sent to the chairman of the Wage and Salary Administration Committee under personal and confidential cover, and are used by this committee for wage and salary adjustment.

[illegible]

Figure 32. Rating Instructions and Blank for Group I, Unskilled Positions—Westinghouse Electric & Manufacturing Company

Bernard Smith

1. Make an honest judgment of the position of this employee.
2. Rate your judgment on the entire record covered and not upon isolated incidents alone.
3. In rating, be made by more than one individual, which is recommended, a complete understanding should be reached before there is to be any record of the rating assigned.
4. Place a check (✓) in the space above the horizontal line which most nearly expresses your judgment on each quality.
5. Give the exact period under each rating for explanation.
6. Remember that your estimate is also used as a measure of your judgment.

With your rating on accurate description of the job title.

Consider the employee's position since the last rating on

and show by a check (✓) any changes in each of the qualities listed.

Has Increased	Little Or No Change	Has Gone Back
	X	

QUALITY OF WORK:

Consider attitude and accuracy of work performance of employee.

Work Almost Perfectly	Frequent Errors	Random Accuracy	Very Few Errors	Extremely Accurate, Possibility Of Mistake
				X

Explanation: Commits very few errors. Is very neat in all of his work.

QUANTITY OF PRODUCTION:

Consider the volume of work produced under normal conditions, disregard errors.

Very Slow Worker	Volume Below Average	Average	Turns Out Good Volume	Good Worker, Usually Big Producer
				X

Explanation: Fast worker and produces a large volume of work.

DEPENDABILITY:

Consider the degree to which an employee adheres to his work, if he does into on time and the amount of supervision he requires.

Correct the Record Upon Each Commission	Consistent But Poor Dependability	Fairly Reliable, Average Supervision Required	Accurate Record But Occasional Errors, Vision Required	Excellent Record, Minimum Supervision Required
				X

Explanation: Very dependable worker, always tries to do his jobs on time, and requires the minimum of supervision.

KNOWLEDGE:

Consider the understanding of all the requirements of his job or tasks such as knowledge of material, facts, and methods, which may not be used through experience or general and specific training.

Indispensable Knowledge	Limited Knowledge	Fair Knowledge	Good Working Knowledge	Extensively Through Group of All Knowledge
				X

Explanation: Has had good training and experience. Has specialized in pattern development and layout work.

JUDGMENT A COMMON SENSE:

Consider the wisdom of his decisions at the moment of making judgments on such matters as safety, quality, facility, etc., and also his judgment in emergency situations.

Inclined To Be Illogical	Generally Mistaken	Fair	Judgment Usually Logical	Thinks Quickly and Logically, Outstanding
			X	X

Explanation: His decisions in the absence of detailed instructions are usually logical. Has displayed good judgment in emergency situations.

SUPERVISORY ABILITY OR LEADERSHIP:

Consider his ability to organize a group to get the maximum efficiency without friction.

Lacks Qualities Necessary To Be a Successful Leader	Inefficient Qualities To Be a Successful Leader	Has Limiting Qualities But Not Satisfactory	Effective Organizer	Very Forceful and Efficient Leader
			X	X

Explanation: Has the ability to organize a group effectively and assure the maximum of efficiency.

Figure 33a. Review of Service Form

Bernard Smith

PERSONALITY:

Consider the effect of his appearance, way of acting, and his disposition upon people. Be careful not to over-emphasize best impressions.

Has Impress	Little Of His Character	Has Good Back
Crises Disinclination	Unfavorable Impressions	Making Outstanding
		Favorable Impressions
		Exceptionally Pleasing Personality, Decided Asset
		X

Explanation: Favorable personality.

ABILITY TO LEARN NEW
DUTIES:

Consider first, his mental ability in mastering new routine, grasping explanations, and his ability to retain this knowledge. Then consider the speed with which he learns and the amount of instruction it is necessary for you to give him at teaching him new duties.

Very Limited In Learning New Duties	Grasps New Ideas Slowly But Retains Them	Normal Ability and Speed In Grasping New Ideas	Learns Fast Retains Instructions	Learns Rapidly Very Quick To Grasp New Ideas	X
---	--	--	--	--	---

Explanation: Has the ability to master new routines and explanations quickly, and can retain this knowledge with a fair degree of accuracy.

INITIATIVE &
CREATIVENESS:

Consider his ability to think along original lines, to find new ways of doing jobs, etc., and how often he makes suggestions for improvements.

None	Hardly Shows Any	Shows Initiative Occasionally	Shows Average	Initiative Shows In Present Setting In Time Or Money	X
------	---------------------	-------------------------------------	---------------	--	---

Explanation: Can think along original lines. Has made many suggestions for improvements.

CO-OPERATION:

Consider his attitude toward his work, company and associates and his willingness to work well with the others.

Does Not Co-operate	Shows Reluctance To Co-operate	Acceptable	Gets Along Well With Associates	Gets Out of the Way To Co-operate	X
------------------------	-----------------------------------	------------	------------------------------------	--------------------------------------	---

Explanation: Has the proper attitude toward his work and company. Gets along well with his fellow workers.

PHYSICAL CONDITION:

Consider his physical energy, endurance, physique, and general health in relation to his ability to perform a wide range of jobs. List any physical handicaps such as poor eyesight, loss of limb, etc., which may unfavorably affect his work.

Very Poor Health Serious Handicap On All Jobs	Below Normal Limits Possibility	No Handicaps Noticing	Better Than Average	Exceptionally Active, Lacks Energy and Endurance	X
---	---------------------------------------	-----------------------------	------------------------	---	---

Explanation: Has the endurance and health to perform a good job. No physical handicaps noticeable that may affect his work.

STRONG POINTS, JOBS ON WHICH HE
HAS PROVED SATISFACTORY, ETC.

Is a steady, industrious and conscientious worker. Is cooperative at all times. Is a very precise and neat worker.

WEAK POINTS, JOBS ON WHICH HE HAS
NOT PROVED SATISFACTORY, ETC.

Has shown signs in the past to be quick tempered. Has shown recently that he is improving in this respect.

HOW I CAN HELP HIM TO BE MORE EFFECTIVE ON HIS PRESENT JOB:

He should be given additional instruction on _____

He should be given additional experience on such jobs as _____

He should study such subjects as _____

He should change his attitude as follows: _____

There is nothing more that I can do for him because of a general deficiency in his personal characteristics.

Remarks: Before deciding to terminate his employment, the writer recommends that in view of his family and financial obligation, leniency be considered.

CAPACITY AND AMBITION FOR FUTURE GROWTH:	Good	Satisfactory	Fair	Poor	Very Poor	No Opinion	Not Applicable	Total
Review all of the factors that you have previously considered and judge his capacity and ambition for future advancement both in the department and in the company.								

Explanation & Recommendation: See comments under General Remarks

GENERAL REMARKS:

In reviewing his past services from available records and through the solicitation of various foreman's impressions for whom he worked during the past five years, the writer learned that for the first two or three years of his employment, the quality of his work was commendable.

In an endeavor to determine the reasons for his decline in competency, the writer learned in an interview with Mr. Smith that he is experiencing economic and domestic difficulties. He stated that he has incurred deferred payment obligations to the extent of not being able to meet them to the satisfaction of his creditors. Other mental disturbing factors relative to a breach in matrimonial fidelity was also disclosed.

This review was shown to the employee on 6-24-_____

This review was not shown to the employee because _____

This review was discussed with the employee on 6-24-_____

His reaction was: Favorable to all the comments except the second paragraph under the heading "Cooperation" which charges him as having cursed a fellow worker. Mr. Smith claims that he cannot recall the incident. Mr. Doe his immediate superior, testified to his infrequent use of profanity and is inclined to discount the accusation.

<p>_____ John Smith Employee</p> <p><u>6/25/-</u> Date</p>	<p style="text-align: center;">Signatures</p> <p>_____ M. R. H. Date <u>5/9/-</u></p> <p>_____ C. W. S. Date <u>6/26/-</u></p> <p>_____ Date _____</p> <p>_____ Date _____</p> <p>_____ Date _____</p>
--	--

Figure 33b. Review of Service Form—Armstrong Cork Company—
(Continued)

Armstrong Cork Company.—The Armstrong Cork Company's *review of service* has the definite purposes of rating employees in order to increase their effectiveness and suggest to them programs of self-improvement, to improve employee morale and good will, as well as to provide a basis for future promotions, transfers, raises, or demotions. The immediate goals, however, are continued satisfactory performance and improved morale.

The reviewing is done by foremen who have been instructed in plant conferences on the best procedures to follow in filling in the form (Figure 33a-b). According to these procedures, the foreman bases his conclusions upon the results of the employee's efforts during the *entire* period under consideration, rather than being influenced by single outstanding incidents. It is recognized that each person has his good points and his weak points. Therefore, each quality is considered separately with special care not to permit one outstandingly good or bad quality to color the foreman's judgment of the remaining qualities. The foreman strives for consistency of judgment, not only in rating each quality of an employee, but also in rating a number of people according to the same standards.

After rating the various qualities, the employee's strong and weak points are listed. The supervisor records what he believes to be the employee's capacity for future growth. A low rating on this does not necessarily mean that the man is unsatisfactory in his present work. It indicates his capacity for future growth. It may be that he has not yet had an opportunity on his present job to make his potentialities evident.

The "review of service" form is discussed confidentially in an interview between the employee and the foreman who rates him. The foreman makes this a successful interview by putting the employee at ease so that he will have confidence in the reviewer and will be frank and cooperative. The foreman is prepared to discuss the review in such a manner as to be of most value to the employee by suggesting plans for self-improvement such as education, experience, instruction, etc. The employee is encouraged to offer suggestions on how he can better the work he is doing. The foreman steers the discussion in order to achieve the following aims:

1. To let the employee know just what is expected of him.
2. To keep him informed on whether or not his work is satisfactory.
3. To improve the personal relations between the foreman and the employee.
4. To give the employee an opportunity to express his point of view.
5. To insure fair treatment in time of layoff, discharge, or promotion.

6. To provide a written record of past performance.
7. To lead to self-analysis by the employee.
8. To lead to self-improvement.
9. To give employee credit for good points.

The interview is concluded by discussing some other matter of mutual interest. For example, the employee might wish to know something about group insurance or retirement insurance or some other company policy, and his foreman can take this opportunity to explain it to him. A poorly prepared interview can do more harm than good, but a carefully prepared interview will do much to achieve the aims of the review of service program.

Because of the success of reviewing hourly rated employees, a similar form was devised for supervisors. The qualities to be rated fell into two categories—performance factors and personal characteristics. These were discussed and determined in a plant conference, with care being taken that the qualities selected could be measured at least to some extent.

It was decided that the supervisors would be reviewed annually by their two immediate superiors. This review would then be discussed by the supervisor and one or both of his superiors, with the aim of assisting the supervisor to find a program of self-improvement that would make him more effective in his work and would give him more personal satisfaction.

The "I. I." Corporation.—Management members of the I. I. Corporation have rated men informally for years and have known the characteristics which should enter into a rating. However, in 1937 it was decided to make this rating more definite and accurate and to put judgments in writing, as a matter of record. The purposes of the rating system in this corporation were to improve employees in their work and to provide a more definite means of promotion and layoff.

After an examination of the systems used in similar companies and of the writings on ratings, the plant manager began to develop a rating system for one plant of this corporation. He called a number of meetings with the superintendents, assistant superintendents, the personnel manager, and the assistant auditor, and explained that it was management's desire to develop a rating system for the plant in order to improve the personnel, to have a written record of the abilities of the men, and to form a basis for layoff if such had to be made. At the first meeting, they discussed the various characteristics and factors by which an employee should be judged. They agreed that two subjects should form the total rating of an employee—the rating of his characteristics, and the rating for length of service. They discussed at length the various characteristics

by which they were in the habit of judging men. They decided that if they could grade the employees on the most essential characteristics, the sum of these ratings would be the individual's personnel rating of his characteristics. The first characteristic discussed was that of skill, which was considered important. Other characteristics they considered essential were discussed, until they agreed that the following traits were the most essential:

- | | |
|-----------------------------|---------------------------------------|
| 1. Supervision required. | 5. Safety (cooperation and attitude). |
| 2. Cooperation. | 6. Industry. |
| 3. Skill (quality of work). | 7. Adaptability. |
| 4. Dependability. | 8. Deportment. |

As the superintendents and foremen were accustomed to thinking of men as excellent, good, fair, and poor, they decided upon the following scale of values for each characteristic:

E (Excellent)	equals 5 points
G (Good)	equals 4 points
F (Fair)	equals 3 points
P (Poor)	equals 2 points

After deciding upon the characteristics and the values which were to form the scale of ratings, they prepared an explanation of just what E (Excellent—5) and all of the other grades meant for each characteristic. The explanations of each grade after each characteristic were prepared in the form of the explanation of rating groups (Figure 34). From this a rating blank was prepared (Figure 35). This provided for the check number and name of each employee in a department, with a number of columns containing the names of the eight characteristics to be rated, the total, the group number, promotion possibilities, and the occupation and department. After the blanks were prepared, a number of meetings were held and, with the use of lantern slides of the various forms and sample cases, the plant manager explained just how the ratings were to be made. He emphasized that groups of men were to be rated on one characteristic at a time, i.e., all of the men in a group would be rated on supervision before the next characteristic was taken up, and the grading of all men on the characteristics already rated would be covered up before the next characteristic was considered. After careful explanations and instructions on how to rate, the check numbers and names of the employees in each department were placed upon the rating blank.

Each foreman rated his men in accordance with the explanation and instructions on how to rate and what each grade in each characteristic meant. After each foreman rated each person in his department, a con-

	"E"—5 EXCELLENT	"C"—4 GOOD	"F"—3 FAIR	"D"—2 POOR
SUPERVISION	Once understanding his work, conducts it without supervision. Directs his own job. Only asks questions necessary to understand his work.	Requires occasional supervision. Necessary to repeat orders infrequently. Could improve.	Work must be supervised. Orders must be repeated. Asks unnecessary questions.	Requires constant supervision.
COOPERATION	Understands and follows the rules of team play. Offers helpful suggestions. Goes more than half way. Volunteers.	Cooperates on the jobs he likes. Plays hard if he can carry the ball. Keeps up his end.	Shirks the hard and unpleasant task. Has to be drafted. Must be told to take care of his half.	Is inclined to hang back.
SKILL (Quality of work)	Consistently does an excellent job without waste of time, effort, or material.	Does excellent work within his capacity. Given enough time will do a good job.	Does good work most of the time. Could improve.	Does indifferent work.
DEPENDABILITY	The man you are always sure of. Will accept responsibility voluntarily.	Generally sure of this man. Accepts responsibility, but not voluntarily.	Hedges at times. Gets by, but has alibis.	Is not dependable.
SAFETY (Cooperation, attitude, interest)	Understands the real value of practical safety. Active in safety work. Offers safety suggestions. Practices the safety we preach.	Follows plant safety rules. Careful of his own work. Will follow safe practices.	Not particularly interested in safety. Has to be reminded of safe practices. Would be careless if not watched.	Would rather take a chance.
INDUSTRY	Always busy at productive work. Strives to improve himself and his job. Will see what to do next.	Does a good day's work. Could improve.	Indifferent toward job. Works when watched. Never seeks new tasks.	Lazy. Shirks work.
ADAPTABILITY	Meets changed conditions quickly and voluntarily. Versatile. Physically and mentally keen.	Catches on quickly. Needs very little coaching. Bright.	Can do other work, but limits himself.	Limited to one job only.
DEPORTMENT	His conduct reflects credit to himself, his associates and his job.	Conduct generally good.	His conduct falls short of what is reasonably expected.	Undesirable as an associate or employee.

Figure 34. Explanation of Rating Groups, "I. I." Corporation
(June 15, 1937)

ference was held among the foreman, or foremen, the superintendent, assistant superintendent, and all others who supervised the men in the departments concerned. At this conference an agreement upon ratings for each trait for each employee was reached. If two members of the group did not agree upon the rating of a certain characteristic for a certain employee, a discussion followed until they did agree upon the rating. With an agreement, the ratings were sent to the personnel department

DATE _____												Legend E - Excellent G - Good F - Fair P - Poor			
	CHECK NO.		SUPERVISION	COOPERATION	SKILL	DEPENDABILITY	SAFETY	INDUSTRY	ADAPTABILITY	DEPARTMENT	TOTAL	GROUP NO.	PROMOTION POSSIBILITY	OCCUPATION	DEPT.
1															
2															
28															
29															
TOTAL															
AVERAGE															
APPROVED FOREMAN _____												APPROVED DEPARTMENT SUPERVISOR _____			

Figure 35. Rating Blank—"I. I." Corporation

and transferred to the employee's personal record. The plant manager did not see the ratings.

Along with the development of the rating scale, the foremen, superintendents, and plant manager recognized that length of service should be a factor in considering an employee's value to the company and that "seniority credit should be based on the idea that a credit should be given tending to offset the possible 'slowing up' of a man who has aged with the company and, also, to reward continuous service."

The service factors agreed upon then were as follows:

Service of	
0 to 5 years.....	No points
5 to 8 years.....	1 point
8 to 11 years.....	2 points
11 to 13 years.....	3 points
13 to 15 years.....	4 points
15 to 17 years.....	5 points
17 to 19 years.....	6 points
19 to 20 years.....	7 points
20 years and over	8 points

An employee's service factor was calculated and added to the total rating of his characteristics. The sum of the service factor and the total of the characteristics made a composite total for each man. A comparison of the

JOB KNOWLEDGE										IS HE WELL INFORMED ON HIS JOB AND RELATED TO HIS WORK? DOES HE REQUIRE REGULARLY REQUIRE SUPERVISION AND INSTRUCTION? FOR THEM WHEN IT WILL SAVE TIME?										DOES HE KNOW HIS JOB WELL ENOUGH TO REQUIRE REGULARLY REQUIRE SUPERVISION AND INSTRUCTION?										IS HIS KNOWLEDGE OF HIS JOB SUCH THAT HE CAN SHOW LITTLE DESIRE OR ABILITY TO IMPROVE HIMSELF?																			
3										IS HE AN EXPERT ON HIS JOB? DOES HE MAKE THE MOST OF HIS KNOWLEDGE AND EXPERIENCE? IS HE A SELF-STARTER?										IS HE WELL INFORMED ON HIS JOB AND RELATED TO HIS WORK? DOES HE REQUIRE REGULARLY REQUIRE SUPERVISION AND INSTRUCTION? FOR THEM WHEN IT WILL SAVE TIME?										DOES HE KNOW HIS JOB WELL ENOUGH TO REQUIRE REGULARLY REQUIRE SUPERVISION AND INSTRUCTION?										IS HIS KNOWLEDGE OF HIS JOB SUCH THAT HE CAN SHOW LITTLE DESIRE OR ABILITY TO IMPROVE HIMSELF?									
PERSONAL FACTORS										ADAPTABILITY																																							
4										DOES HE LEARN NEW DUTIES AND MEET CHANGED CONDITIONS QUICKLY? AND EASILY?										CAN HE TURN FROM ONE TYPE OF WORK TO ANOTHER OR GRASP NEW IDEAS AND INSTRUCTIONS? DOES HE ADJUST HIMSELF TO NEW CONDITIONS WITH LITTLE DIFFICULTY?										IS HE A ROUTINE WORKER? DOES HE REQUIRE DETAILED INSTRUCTION OF DUTIES AND METHODS?										IS HE SLOW TO LEARN REQUIRING REPEATED INSTRUCTIONS? DOES HE HAVE GREAT DIFFICULTY IN ADJUSTING HIMSELF TO NEW WORK?									
5										WHEN YOU GIVE HIM A JOB TO DO HAVE YOU THE MOST CONFIDENCE THAT YOU WILL GET WHAT YOU WANT WHEN YOU WANT IT?										DOES HE FOLLOW INSTRUCTIONS? WHAT DO YOU EXPECT HIM TO DO WITH LITTLE FOLLOW UP?										DOES HE GENERALLY FOLLOW INSTRUCTIONS BUT OCCASIONALLY NEED FOLLOWING UP?										DOES HE REQUIRE FREQUENT FOLLOW UP EVEN ON ROUTINE DUTIES?									
6										IS HE AN EXCEPTIONALLY GOOD TEAM WORKER? DOES HE INVARIABLY GO OUT OF HIS WAY TO COOPERATE? IS HE ALWAYS COOPERATIVE? IS HE ALWAYS READY TO TRY OUT NEW IDEAS?										DOES HE MEET OTHERS AT HIS WAY TO COOPERATE? IS HE USUALLY READY TO TRY OUT NEW IDEAS?										DOES HE USUALLY COOPERATE, BUT WITH SOME SUGGESTIONS AND TRY OUT NEW IDEAS?										DOES HE COOPERATE ONLY WHEN HE HAS TO? WHEN HE HAS TO TRY OUT NEW IDEAS? DOES HE HAVE LITTLE INTEREST IN HIS JOB?									

N. B.- If any comments relative to the following questions seem in order for this employee please indicate on the reverse side.

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1. In your opinion is he performing the task best suited to his ability? If not what sort of work should he do? 2.-What especially desirable good traits does he have? 3.-Is he doing anything to improve himself. 4.-Along what lines does he need improvement? 5.-What is his attitude and record as to safety? 6.-Have you any additional comments not heretofore covered which you feel would complete a fair appraisal for him?

Figure 36. Employee Rating Report—Curtiss-Wright Corporation, Buffalo

Name of Employee _____															Number _____														
1. QUALITY OF WORK—Is he accurate and thorough? Is his quality good? Does he have no rejections, spoilage, or waste?																													
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Poor quality. Work frequently rejected.					Fair quality. Handles work with some difficulty. Creates some spoilage.					Normal quality. Can "get by" under close supervision.					Above normal quality. Usually accurate and thorough.					Good quality of work. Can be depended upon. Makes but few errors.					Excellent quality. Very accurate. No spoilage or waste.				
Additional Explanation: _____																													
2. APPLICATION TO WORK—Is he a hard worker? Is he steady, industrious, interested, willing, prompt, and on the job all of the time? How well does he stick to his job?																													
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Poor worker, lazy, stalls, often absent.					Fair, "day dreamer." Forgetful, often late.					Normal, "gets by" only, no real working spirit, wastes some time. Doesn't work hard.					Above normal. Satisfactory worker. Slightly better than average.					Good worker, plans well, works hard, always willing and steady.					Excellent, hard worker, outstanding, energetic, and enthusiastic worker.				
Additional Explanation: _____																													
3. ABILITY TO UNDERSTAND AND FOLLOW INSTRUCTIONS—Does he understand instructions easily? Can he remember orders well? Does he follow instructions readily?																													
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Poor, requires repeated and constant instruction.					Fair, requires considerable instruction. Must be reminded often.					Normal, requires some follow-up.					Above normal, only rarely do instructions have to be repeated.					Good, requires minimum instructions. He takes orders well.					Excellent, only has to be told once. Sometimes foresees instructions needed.				
Additional Explanation: _____																													
4. COOPERATION—How well does he get along and work with others? Does he accept instruction and suggestions readily and willingly? Do employees like and respect him?																													
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Poor cooperation. Is unwilling to cooperate, causes friction and trouble. Argumentative.					Fair, grumbles some, tries to "pass the buck." Causes occasional friction and trouble.					Acceptable, cooperates reasonably well.					Above normal. Accepts assignments readily, willingly, takes job assigned.					Gets along well. Almost everyone likes him.					Extremely cooperative. Everyone likes him very well. Gets out of his way to assist others.				
Additional Explanation: _____																													
5. SAFETY AND ORDERLINESS—Is he a careful worker? Does he follow safety instructions and rules? Does he point out unsafe conditions? Is he neat and clean about himself and his workplace?																													
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25					
Unsafe, careless. Disregards safety rules. Often dirty and slovenly.				Obey rules when supervised. Will clean up if told.				Normally safe, but is apt to forget. Ordinarily clean, but forgetful.				Careful workman. Obey safety rules. Orderly, as a rule.				Usually careful. Obey rules. Usually keeps himself and workplace in good order.				Very safe. Refuses to work unsafely. Very safety-minded. Good for safety committee. Very neat and clean.									
Additional Explanation: _____																													

Figure 37a. Employee Progress Report—

6. CARE OF EQUIPMENT—Does he take good care of his equipment, machinery, and tools? Does he see that it is kept in good repair? Is he careful in the use of equipment?

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20		
Usually takes poor care of equipment. Careless, slipshod.			Indifferent care. Sometimes careless.			Normal care of equipment.				Above normal. Keeps equipment in order most of the time.				Good care of equipment. Usually in good condition.				Excellent attention to equipment. Always in good shape. Checks and reports disorders immediately.			

Additional Explanation:

7. KNOWLEDGE OF JOB—Does he know his job well? Does he understand details and requirements of work? Does he know equipment, methods, and materials well? Does he know relation of his job to others? Does he ask good questions if he doesn't know?

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20		
Poor, learner or comparatively new man. Inadequate knowledge.			Fair, limited knowledge.			Normal knowledge of job.				Acceptable, above normal knowledge. Understands details of job and use of equipment.				Good understanding of all requirements and working knowledge.				Knows job thoroughly. Grasps essentials and details well. Suggests improvements.			

Additional Explanation:

8. VERSATILITY—Can he perform more than one job? Can he do several kinds of jobs? Can he assume additional duties readily?

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Poor, can do only his own job.			Fair, could do another job with instruction.			Normal, can adapt himself to other work. Occasional error, but given time, can master other jobs.			Above normal, grasps jobs quickly. Can perform satisfactorily on several jobs.			Good, adjusts himself quickly to most jobs. Understands new work readily.		Excellent, could do almost any job with little instruction. Catches on very easily and quickly. Very flexible.	

Total Points for Eight Items:

Additional Explanation:

What are his good or strong points? His assets? List below:

What are his weak points or liabilities? List below:

What do you consider this man's general ability and general value to the Company to be? Check which:

Poor..... Above Normal.....
Fair..... Good.....
Normal..... Excellent.....

Where does he rank in general ability in your Department? out of employees in the Department.

Is he capable of being promoted? Yes..... No..... Doubtful..... Why?.....

If yes, what job or jobs do you think he is capable of being promoted or transferred to?.....

Has this employee shown improvement since his last report? Yes..... No..... Doubtful.....

Remarks:.....

Dated by:..... Date:.....

Approved by:..... Date:.....

Revere Copper and Brass Incorporated

EFFICIENCY: Please check approximately what this employee's efficiency has been in the last three months.	
Remarks of Industrial Engineering Dept.	
Poor.....	.....
Fair.....	.....
Normal.....	.....
Above Normal.....	.....
Good.....	.....
Excellent.....	.....
By:.....	.....
Remarks:.....	.....
.....	
.....	
.....	
ATTENDANCE: What has been this employee's attendance? Check which:	
Remarks of Personnel Dept.	
Poor.....	.....
Fair.....	.....
Normal.....	.....
Above Normal.....	.....
Good.....	.....
Excellent.....	.....
By:.....	.....
How long has the employee been employed? years. Length of service on present job: Length of time elapsed since last increase:	
How many good incident reports has he had sent in for him?	
How many poor ones?	
Remarks:.....	
.....	
.....	
.....	
By:..... Date:.....	
Approved by:..... Date:.....	

Figure 37b. Employee Progress Report—Revere Copper and Brass Incorporated (Continued)

composite total of each individual with the others in his group was made, and each employee's position in his group was written on his personnel record in the appropriate column. If he was first out of six, it was added as $1/6$. If he were sixth out of twenty, $6/20$ would be placed on his record. If a layoff were necessary, the lowest persons in the group were to be laid off first, according to the composite totals.

In addition, abnormal reports were made for each employee who did anything outstanding, good or bad, and placed on the employee's personnel record to use for the improvement of personnel, promotions, and layoffs.

Samples of Other Companies' Rating Scales.—In order to exemplify more fully the rating scales used in industry, Figures 36, 37, 38, and 39 present the rating scales and reports of four companies.

Ratings are no panacea, no cure-all. They have their objections and difficulties as well as their values. If more research were done on ratings, perhaps even as much as on technical problems, better rating and better personnel and industrial relations would result. More investigations are needed in this field to determine the reliability and validity of these procedures.

The author believes that definite or formal rating of employees is a valuable function of the management, especially the management of personnel relations. It is more valuable than the informal rating which the foreman makes from time to time. Although the purposes, uses, and present methods of rating plans have been emphasized, that emphasis does not mean that there are not many objections and many difficulties with reference to ratings and rating scales. Some of these objections are:

1. That the terms used in rating scales are indefinite and not clear.
The names of different traits and terms do not mean the same thing to different people—for example, one person's "average" may be "good" to somebody else.
2. That a number of raters of one person may not agree. The person is the same, and therefore if the ratings are true measures, they should correlate highly.
3. That training is required for good ratings and that industrial companies do not have enough time to spend training raters.
4. That some persons are more reliable raters than others. In other words, some people have better judgment than others and can do a better job of rating.
5. That raters often overestimate bad qualities and underestimate good qualities; in other words, that ratings are not true measures.

EMPLOYEE RATING REPORT																																																																																																	
NAME _____		NO _____		TOTAL POINTS _____		GROUP _____																																																																																											
DEPT _____		OCCUPATION _____		CLASS _____																																																																																													
RATED BY _____		DATE _____		APPROVED BY _____		DATE _____																																																																																											
INSTRUCTIONS—Read Carefully																																																																																																	
<p>Each employee's ability and fitness in his PRESENT occupation or for promotion may be appraised with a reasonable degree of accuracy and uniformity, through this rating report. The rating requires the appraisal of an employee in terms of his ACTUAL PERFORMANCE. It is essential, therefore, that snap judgment be replaced by careful analysis. Please follow these instructions carefully.</p> <ol style="list-style-type: none"> 1. Use your own independent judgment. 2. Disregard your general impression of the employee and concentrate on one factor at a time. 3. Study carefully the definitions given for each factor and the specifications for each degree. 4. When rating an employee, call to mind instances that are typical of his work and way of acting. Do not be influenced by UNUSUAL CASES which are not typical. 5. Make your rating with the utmost care and thought; be sure that it represents a fair and square opinion. DO NOT ALLOW PERSONAL FEELINGS TO GOVERN YOUR RATING. 6. After you have rated the employee on all six factors, write under the heading "General Comments" on the back, any additional information about the employee which you feel has not been covered by the rating report, but which is essential to a fair appraisal. 7. Read all four specifications for Factor No 1. After you have determined which specification most nearly fits the employee, place an X in the small square over it. If the specification adequately fits the employee, place an X in the left square. If he does not quite measure up to the specification but is definitely better than the specification for the next lower degree, place an X in the right square. Repeat for each factor. 																																																																																																	
<table border="1"> <thead> <tr> <th>FACTOR</th> <th>R-1</th> <th>R-2</th> <th>R-3</th> <th>R-4</th> <th>R-5</th> <th>R-6</th> <th>R-7</th> <th>R-8</th> </tr> </thead> <tbody> <tr> <td>What Has He Done?</td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>1 QUALITY OF WORK THIS FACTOR APPRAISES THE EMPLOYEE'S PERFORMANCE IN MEETING ESTABLISHED QUALITY STANDARDS.</td> <td>DOES HE CONSISTENTLY DO AN EXCELLENT JOB? ARE REJECTS AND ERRORS VERY RARE?</td> <td></td> <td>DOES HE USUALLY DO A GOOD JOB? DOES HE SELDOM MAKE ERRORS?</td> <td></td> <td>IS HIS WORK USUALLY PASSABLE? MUST HE SOMETIMES TELL HIM TO DO A BETTER JOB?</td> <td></td> <td>IS HE CARELESS? 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What Can He Do?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>																																																																																									
3 ADAPTABILITY THIS FACTOR APPRAISES THE EMPLOYEE'S ABILITY TO MEET CHANGED CONDITIONS AND THE EASE WITH WHICH HE LEARNS NEW DUTIES.	DOES HE LEARN NEW DUTIES AND MEET CHANGED CONDITIONS VERY QUICKLY AND EASILY?		CAN HE TURN FROM ONE TYPE OF JOB TO ANOTHER OR GRASP NEW IDEAS AND ADJUST HIMSELF TO NEW CONDITIONS WITH LITTLE DIFFICULTY?		IS IT A ROUTINE WORK? DOES HE REQUIRE DETAILED INSTRUCTION ON NEW DUTIES AND METHODS?		IS HE SLOW TO LEARN, REQUIRING REPEATED INSTRUCTIONS?	DOES HE HAVE GREAT DIFFICULTY IN ADJUSTING HIMSELF TO NEW WORK?																																																																																									
4 JOB KNOWLEDGE THIS FACTOR APPRAISES HOW WELL THE EMPLOYEE KNOWS HIS JOB.	IS HE AN EXPERT ON HIS JOB? DOES HE HAVE THE MOST OF HIS KNOWLEDGE AND EXPERIENCE IN HIS OWN MIND?		IS HE WELL INFORMED ON HIS JOB AND RELATED WORK? DOES HE NEED ASSISTANCE AND INSTRUCTION BUT ASKING FOR THEM WHEN IT WILL SAVE TIME?		DOES HE KNOW HIS JOB FAIRLY WELL? DOES HE REGULARLY REQUIRE SUPERVISION AND INSTRUCTION?		IS HIS KNOWLEDGE OF HIS JOB LIMITED? DOES HE KNOW LITTLE OF HIS ABILITY TO IMPROVE HIMSELF?																																																																																										
Can You Rely on Him?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>																																																																																									
5 DEPENDABILITY THIS FACTOR APPRAISES THE EMPLOYEE'S CONFIDENCE IN THE ALL INSTRUCTIONS CONSCIENTIOUSLY.	WHEN YOU GIVE HIM A JOB TO DO, HAVE YOU THAT YOU WILL GET IT DONE WHEN YOU WANT IT?		DOES HE FOLLOW INSTRUCTIONS AND TRY TO DO WITH LITTLE FOLLOW UP?		DOES HE GENERALLY FOLLOW INSTRUCTIONS WITHOUT OCCASIONALLY NEED FOLLOWING UP?		DOES HE REQUIRE FREQUENT FOLLOW-UP, EVEN ON ROUTINE DUTIES?																																																																																										
6 ATTITUDE THIS FACTOR APPRAISES THE EMPLOYEE'S OPEN-MINDEDNESS, AND HIS WILLINGNESS TO COOPERATE IN CARRYING OUT SAFETY AND OTHER COMPANY POLICIES.	IS HE AN EXCEPTIONALLY GOOD TEAM WORKER? DOES HE EVER BRING OUT OF HIS WAY TO COOPERATE? IS HE ALWAYS READY TO TRY OUT NEW IDEAS?		DOES HE MEET OTHERS HALF-WAY AND GO OUT TO MEET THEM? IS HE USUALLY WILLING TO TRY OUT NEW IDEAS?		DOES HE USUALLY COOPERATE, BUT WITH SOME RELUCTANCE TO ACCEPT SUGGESTIONS AND TRY OUT NEW IDEAS?		DOES HE COOPERATE ONLY WHEN HE HAS TO? IS HE UNWILLING TO TRY OUT NEW IDEAS? DOES HE HAVE LITTLE INTEREST IN HIS JOB?																																																																																										

Figure 38a. Employee Rating Report (face)

Report used by foreman to rate each man on the basis of what he has done, what he can do, whether he can be relied on. (A. L. Kress, "How to Rate Jobs and Men," *Factory Management and Maintenance*, Vol. 97, No. 10, October, 1939, p. 67. Reproduced with permission of National Metal Trades Association.)

GENERAL COMMENTS	
1. IN YOUR OPINION, IS THIS EMPLOYEE PERFORMING THE TASK BEST SUITED TO HIS ABILITY? IF NOT, WHAT SORT OF WORK SHOULD HE BE DOING?	<hr/> <hr/> <hr/> <hr/>
2. WHAT ESPECIALLY DESIRABLE GOOD TRAITS DOES HE HAVE?	<hr/> <hr/> <hr/> <hr/>
3. ALONG WHAT LINES DO YOU FEEL THAT HE NEEDS TO IMPROVE HIMSELF?	<hr/> <hr/> <hr/> <hr/>
4. IS HE DOING ANYTHING TO IMPROVE HIMSELF?	<hr/> <hr/> <hr/> <hr/>
5. WHAT IS HIS RECORD AND ATTITUDE AS TO SAFETY?	<hr/> <hr/> <hr/> <hr/>
6. WRITE HERE ANY ADDITIONAL COMMENTS, GOOD OR BAD, WHICH YOU FEEL HAVE NOT BEEN COVERED.	<hr/> <hr/> <hr/> <hr/>

Figure 38b. Employee Rating Report (*reverse*)

This side of the employee rating report affords the foreman plenty of room to make general comments.

V-161-D REV. 8-20-55

PROGRESS QUESTIONNAIRE

Name _____ Date _____ Badge No. _____

Classification Number Four _____ Semi-Skilled Machine Operators _____ Score _____

The following questionnaire must be filled out and returned as soon as possible. It is essential that you give your honest opinion in answering all questions.

What is this man doing at the present time and how long has he been on this job? _____

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
---	---	---	---	---	---	---	---	---	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----

Signed _____

1. Does he scrap more work than the average person in the department? Yes ☐ No ☐
2. Can he start jobs similar to previous jobs without assistance? Yes ☐ No ☐
3. Is it necessary to continually correct or change his methods of working? Yes ☐ No ☐
4. Does he carelessly damage tools or equipment? Yes ☐ No ☐
5. Does he occasionally offer good suggestions for improving his work? Yes ☐ No ☐
6. When operating a machine, is he _____ Fast ☐ Medium ☐ Slow ☐
7. Is his work _____ Very Good ☐ Good ☐ Average ☐ Fair ☐ Poor ☐
8. Does he work reasonably steady during the entire shift? Yes ☐ No ☐
9. Is it necessary to speed up this man at times because of deliberate slowing up in his work? Yes ☐ No ☐
10. Does he follow instructions carefully? Yes ☐ No ☐
11. Does he leave his department and visit with other employees during working hours? Yes ☐ No ☐
12. Does he use short methods in performing his duties? Yes ☐ No ☐
13. If a few men in his department were to be given a rate increase, would this man be included? Yes ☐ No ☐
14. Would you recommend this man for a promotion to a better machine job or a better class of work? Yes ☐ No ☐
15. Can you use him on various types of work in the shop or department? Yes ☐ No ☐
16. After a job is explained, can he go ahead with it as a rule? Yes ☐ No ☐
17. Is he gradually improving in his work? Yes ☐ No ☐
18. When he scrapes a piece of work does he recognize his mistake immediately? Yes ☐ No ☐
19. Does his talking with employees near him interfere with his work? Yes ☐ No ☐
20. Is he agreeable and co-operative with fellow workers? Yes ☐ No ☐
21. Does he report late for work more often than the average person in the department? Yes ☐ No ☐
22. Is he clean about his person? Yes ☐ No ☐
23. Does he resent being instructed regarding his speed and accuracy? Yes ☐ No ☐
24. Does he take time off more often than the average person in the department? Yes ☐ No ☐
25. Does he offer unsound or foolish arguments regarding his methods of working? Yes ☐ No ☐
26. Is his personal attitude irritating? Yes ☐ No ☐
27. Does he sulk if he is corrected? Yes ☐ No ☐
28. Does he ask unimportant questions when you pass near him? Yes ☐ No ☐
29. If it were necessary to reduce the personnel in the department, would this man be included in the first group to be laid off? Yes ☐ No ☐
30. If given the opportunity to transfer this man would you transfer him because his services were unsatisfactory? Yes ☐ No ☐
31. Does he cause trouble by discussing his rate and other personal affairs with fellow employees? Yes ☐ No ☐
32. Are you in any way related to this man? Yes ☐ No ☐

Figure 39. Progress Questionnaire

6. That raters are generous by nature and tend to forgive human failings.
7. That there is often a "halo" effect in rating, that is, the general impression of a person will cause the rater to rate high or low on individual traits or items according to the rater's general impression of that person.
8. That ratings are a lot of bother and that they take more time than the people who are not sold on them think that they are worth.

In spite of these objections, ratings can accomplish the good practical purposes mentioned at the beginning of the discussion on ratings. Let it be emphasized again that many of the objections can be overcome if as much research were put on ratings as has been devoted to intelligence testing. Many of these objections can be eliminated by the proper development, testing, and research on rating scales to make them reliable and valid.

Development of a Rating Program

In order to start a rating program, one company may adopt the plan used in another company or one developed by a trade association, such as the National Metal Trade Association. The best practice seems to be for a company to develop its own rating plan, adapted to the needs of that particular company.

Developing a Rating Scale.—The steps suggested for the development of a rating plan are as follows:

1. Write a clear statement of the purposes and uses to be made of ratings in the company, such as to rate employees for promotion, to serve as an aid in wage adjustment, layoff, individual employee improvement, foreman training, etc.
2. Study the rating plans developed and used in other companies and organizations in the past and those now in use in order to prevent the difficulties which occurred in setting up the rating plans in those companies from recurring and to learn what seem to be the best rating practices.
3. Develop a rating scale. There has been much discussion about the different types of scales, but it seems to the author after studying and discussing the rating plans of a number of companies and governmental bureaus that the *process of developing the scale* by those who are to do the rating is an important management procedure for the best results to be accomplished by the ratings in a company. This process of developing the scale

causes the rater to have more interest in the scale and usually makes him feel that the scale which is finally developed is part his. He will rate more conscientiously on such a scale than he will on a scale which is arbitrarily made and installed by the management. This process of developing the scale is also a plan of educating the raters to be more accurate in their analysis of employees.

Developing a Graphic Rating Scale.—If a company desires a graphic rating scale, the following procedure is suggested for the development of the scale:

1. Obtain from the group (or a representative number of the group who are to do the rating) the traits which they consider essential to high performance in that company and the objective actions by which they judge those traits.
2. Tabulate the traits and select the first five to eight traits considered the most essential by the group.
3. Tabulate the objective actions given under each trait chosen, and select those most desired and most frequently given by the group.
4. Weight or evaluate the traits selected and give and rate descriptive phrases after each trait and then select the descriptive phrases to be used.
5. Devise a graphic rating scale from the most desired traits and the objective actions, the weightings of the different traits, and the most appropriate phrases for each.
6. Prepare adequate instructions for the use of the rating scale.
7. Try out a sufficient number of the developed scales for investigation and revision of the scale.
8. Test the rating scale for reliability and validity. The sums of the ratings on the odd and even items should correlate highly. Group ratings and rankings on each trait and on the total of all personal traits should correlate highly. The ratings and re-ratings after a short period of time should correlate highly. The distribution of ratings should be normal. Different individual raters should agree closely on the same individual. For validity, ratings should correlate highly with definite objective criteria of a similar nature, such as industriousness with the number of pieces produced, and the total rating with increases or percentage of increases in pay over a period of time.
9. Use the ratings for the purpose intended.

Developing a Rating Scale of Objective Actions or Behaviors.—

If a rating scale of objective actions or behavior is desired instead of the graphic rating scale, the following procedure is suggested:

1. Obtain from the group (or a representative number of the group who are to do the ratings) the definite actions and observed conduct which they judge as the most essential for high performance in the company or department concerned.
2. Tabulate these types of actions and conduct considered most essential, and select the most desired ones.
3. Devise a rating scale made up of these objective actions and definite conducts.
4. Evaluate each item in terms of the total scale.
5. Prepare adequate instructions for the use of the rating scale.
6. Have a large enough group use the rating scale for the purposes of testing the scale.
7. Test each item and the scale as a whole by a method similar to that suggested for the graphic rating scale, and revise the scale according to the findings of the testing of the scale.
8. Use the rating for the purposes intended.

In the development of scales in some companies, it has been brought out rather emphatically that those who are to do the rating should participate in the development of the scale, not only for interest but because of the training. One company finds that it is beneficial to have employees assist in the development of the scale so as to make the ratings well understood by employees and also to obtain their cooperation. A cooperative plan of development and testing of the rating plan seems the best procedure known to date.

Test of Reliability of Ratings

One of the first tests of reliability of ratings is internal consistency, which means that the scale itself is so constructed that a total of the ratings of one-half of the items on the scale will correlate¹² highly with the total of the other half. The total of the odd items (1, 3, 5, 7, etc.) of a scale should correlate highly with the even items (2, 4, 6, 8, etc.). Rating scales in general usually have a low reliability. Symonds¹³ says: "A reliability coefficient of .55 can be said to be typical for rating personality traits by ordinary judgment methods."

¹² For a brief explanation of statistics, see Appendix A.

¹³ Percival M. Symonds, *Diagnosing Personality and Conduct*, New York, D. Appleton-Century Co., Inc., 1931, p. 95.

In order to find the reliability of ratings of the I. I. Corporation, the sums of the *odd items of the rating scale were correlated with the sums of the even items*, first for those ratings made in November, 1937. The coefficient of correlation was found to be $.757 \pm .009$.

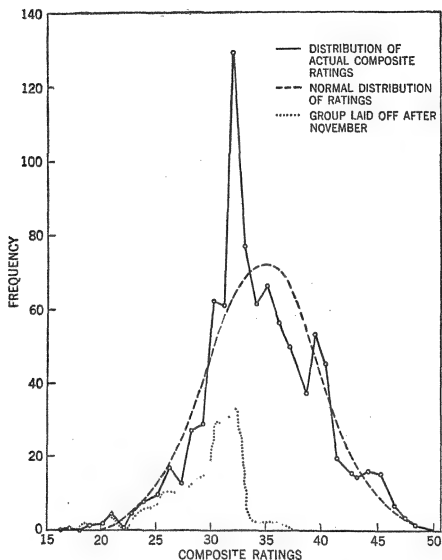


Figure 40. Comparison of Actual Distribution and Normal Distribution of Composite Ratings (November, 1937)

Comparison of Distribution of Composite of Merit and Service Ratings with Normal Distribution.—In order to determine whether the composite rating of personal traits in points plus the service factor in points was distributed in a normal way, or whether some abnormal cause affected the distribution so as to make it skewed or unreliable, distributions of the composite ratings for November, 1937 were made and compared with a normal distribution for similar data. These comparisons of the actual distribution of composite rating with the normal are shown in

Figure 40. Although the actual distribution does not follow the normal curve exactly, it does show a symmetrical distribution of high and low composite ratings, which makes it evident that the personal ratings plus the service factor do distinguish high persons from the low in the

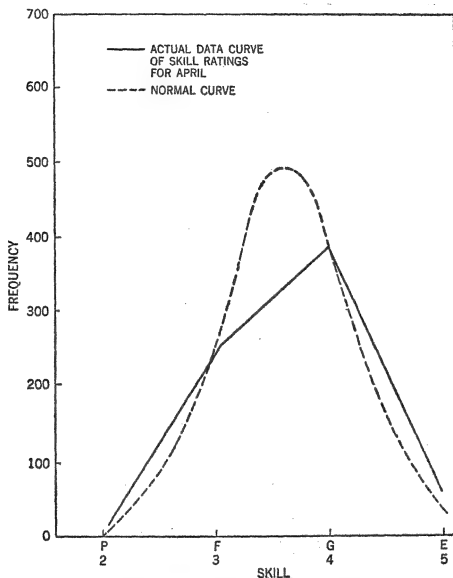


Figure 41. Comparison of Distribution of Skill Ratings with Normal Distribution (April, 1938)

organization, and that if some abnormal factor, such as discrimination because of union membership, entered in, this did not show in the actual distribution.

The frequency distributions of the composite ratings and the merit ratings for those laid off were superimposed upon the charts comparing the actual and normal distributions for composite ratings and upon the charts comparing the actual distributions of the merit ratings with the normal distributions. The distributions show that for November those

laid off were distinctly in the lower section of the distribution as would be expected for a layoff according to the rating procedure.

Comparison of Distribution of Ratings of Individual Traits with Normal Distributions of Ratings of Those Traits.—Frequency distributions were made of the actual ratings of all of the employees for each of the following eight traits on the rating scale: adaptability, cooperation, dependability, deportment, industry, safety, skill, and supervision. These distributions were compared to the normal distribution. Figure 41 shows a comparison of the actual and normal distributions of the ratings on *skill*.

Intercorrelation of Traits.—Intercorrelations of all of the traits were made. The coefficients of these correlations of each trait with the others and each trait with the total for the November, 1937 ratings were as shown in Figure 42.

The correlation of each trait with the total for the ratings of November, 1937 ranged from .772 to .889, which shows a high correlation of each

	Co- opera- tion	Skill	De- pend- ability	Safety	Indus- try	Adapt- ability	Deport- ment	Total
Supervision ....	.589	.712	.621	.570	.636	.577	.550	.821
Cooperation ....		.653	.791	.677	.706	.529	.719	.889
Skill .....			.729	.611	.681	.656	.624	.867
Dependability ..				.614	.621	.488	.641	.856
Safety .....					.596	.573	.612	.834
Industry .....						.646	.498	.87
Adaptability ...							.452	.772
Deportment ....								.79

Figure 42. Intercorrelations of Traits—"I. I." Corporation (November, 1937). $N=908$; P.E. varies from .0069 to .0175.

trait with the total rating. The intercorrelation of the traits ranged from .452 to .791. Any intercorrelation of traits above .4 is considered high. Therefore, each trait for November, 1937 correlates with the others too highly and indicates that the traits are not necessarily distinct elements in the rating. However, all of the intercorrelation of traits but one, the correlation between the rating on cooperation and dependability (which was .791), were lower than the correlation of each trait with the total, indicating a tendency towards the separation of traits.

The "Halo" Effect.—One of the criteria of reliability of a rating scale is that it should be devoid of what is termed the "halo" effect. This

"halo" effect is the tendency of a rater to rate a number of the items the same because of his general attitude toward the person being rated. Normally a person's ability on various items does not occur in identical degrees. Therefore, if he is given similar ratings on all items, a false "halo" is given his rating because of a general impression gained from one or more outstanding characteristics. Although the intercorrelation of traits shows some degree of dependence of traits, for November, 1937, one particular case was found which upon investigation showed how the group rating prevented this "halo" effect from occurring. For example, the following is a distribution of *H*'s ratings for April, 1938:

21.....	1	29.....	2
24.....	2	30.....	2
27.....	2	32.....	67
28.....	10	33.....	1

This shows that *H* gave 67 persons out of 87 a total rating of 32 points. This is an abnormal rating and shows that *H* rated most of his men around 32. When *H*'s ratings were checked, discussed and approved by *M*, *S*, and *C*, the ratings of the same individuals then distributed themselves as follows:

27.....	7	31.....	14
28.....	12	32.....	18
29.....	17	33.....	3
30.....	15	34.....	1

The group ratings of the same individuals then become more normal than *H*'s alone, which emphasizes that *H*'s "halo" was alleviated by *M*, *S*, and *C*. All of the persons in the departments were rated on each trait separately before another trait was rated and all the raters combined on the rating. These factors tended to prevent the "halo" effect from occurring, because the "halo" of one rater would be prevented by the discussion of each employee by the other raters. As a whole department was rated on one trait, it was similar to a ranking in that trait, which also helped to prevent the "halo" effect and make the ratings more reliable.

Correlation of Service Factors and Merit Ratings and the Relative Values of Each.—In order to show the relationship between the service factor points and the personnel ratings points of November, 1937 for 893 employees, the service factors were correlated with their corresponding personnel ratings. The coefficients of correlation between the service factor and the personnel ratings for November were found to be $.176 \pm .032$, which shows a low correlation between the personnel ratings and service factors.

Validity of Rating System

The validity of a rating system is one of the most difficult things to prove. Validity means that the rating scale tests what it is supposed to test. For example, when a rating of skill is made, for validity we ask the question "Is it skill that is being rated?" When eight personal traits are rated, validity is concerned with whether or not those traits are really being rated. Ratings are usually used for items that are subjective in nature—based upon opinion or judgment—and not upon objective items. If an item can be measured objectively, such as the number of pieces produced, there is little use in rating that item subjectively.

After an investigation of rating systems, the Policyholders' Service Bureau of the Group Insurance Division of the Metropolitan Life Insurance Company found that:

When any item is 100% objective, there is no need for rating. For example, suppose production records show that one employee produces on the average 600 units per week as compared with a department average of 500 per employee per week. The volume of production of that employee is definitely known, is an objective fact. No opinion which anyone holds can change the fact. Attendance is another instance in which the actual record speaks for itself.

The principal problem of rating technique becomes clear when an attempt is made to rate some personality trait such as initiative, co-operation, dependability, tact, or integrity. Such ratings are often almost wholly subjective and when made by several raters are apt to vary widely. It is believed by some authorities that such ratings can be made more objective by considering the items not as abstract qualities but in terms of job behavior.

As the traits of the "I. I." Corporation rating scale are subjective, it would not be illogical to find little or no objective fact for validating this scale. Nevertheless, attempts were made to find some validation. One of the principal sources was to find the increase in cents per hour since January 1, 1935, and calculate the percentage of increase of the present wage over the rate of January 1, 1935, for each person who received a promotion in wage. The increases in percentage were then correlated with composite ratings and merit ratings for November, 1937, and April, 1938. The coefficients of correlation between the percentage increases and the total merit ratings were .099 for November, 1937, and .049 for April, 1938. The coefficients of correlation between the percentage increases and the composite ratings for November, 1937 were .075, and for April, 1938, .020. These data show no significant coefficients of correlation. The scale did not rate or test that which caused increases in rate

The safety rating was next correlated with the number of visits to the first-aid room, and the coefficient of correlation was found to be .003. Ratings on adaptability were correlated with the number of transfers made during the last five years back from the time the ratings were made, and the coefficient of correlation was found to be .001. The coefficient of correlation between rating on skill and the rate of pay was found to be $.287 \pm .036$. The safety ratings did not correlate highly with the number of visits to the first aid. Adaptability did not correlate highly with the

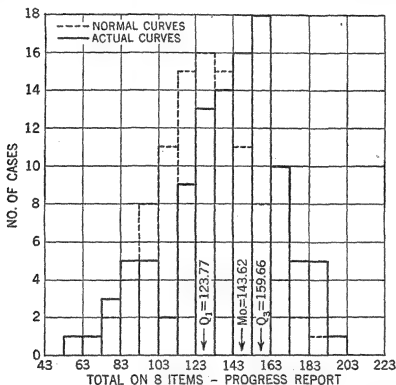


Figure 43. Comparison of Actual Ratings with Normal Distribution—Revere Copper and Brass Incorporated, D. Division (Foremen Ratings of 108 Workmen)

number of transfers, and skill did not correlate highly with the rate of pay. Therefore, it may be assumed that the ratings of those traits did not measure those things with which they were correlated. For example, the plant manager contended that the safety ratings should not necessarily correlate highly with the number of visits to the first aid, because the safety rating was a rating of the employee's attitude toward safety, which may not have any connection at all with his visits to the first aid. A safety-minded man might report, whereas another might not for a similar accident.

Although no high coefficients of validity have been found for the "I. I." Corporation ratings, there is still the practical reason that ratings are intended for subjective items and not for objective ones, and that the

traits of the "I. I." Corporation rating are subjective, are considered as such, and, therefore, few, if any, objective validity measures could be found.

Several rating scales were tried in Revere Copper and Brass Incorporated, and after revision, the scale in Figure 37 was used. The validity and reliability of the ratings were tested. A comparison of the distribution of the total ratings of the eight items with the normal distribution is shown in Figure 43. Although the actual ratings are higher than the normal distribution, the scale in general shows a relatively fair distribution. In addition to ratings, each foreman was asked to state whether each workman's general ability and general value to the company was poor, fair, normal, above normal, good, or excellent. The totals of the ratings were then correlated with general ability and value. The coefficient of correlation was found to be $.836 \pm .021$.

The foremen were also asked to rank the general ability of each man in their departments, i.e., they were asked to give each man a certain rank out of the total number of employees in the department. This ranking was reduced to a value in terms of units of amount¹⁵ and correlated with the ratings on the eight items, resulting in a coefficient of correlation of $.647 \pm .043$.

In one of the divisions (D) of the corporation, the correlations were (August 9, 1943):

	<i>N</i>	<i>r</i>	P.E. <i>r</i>	σ_r
Total of eight items correlated with four factors in progress report: (also Probable Errors and Standard Errors of the <i>r</i> 's):				
Rank in General Ability in units of amount..	108	.64	.038	.058
Value to Company	108	.67	.036	.053
Efficiency	135	.47	.045	.067
Wage Classification	108	.26	.060	.090
Reliability on basis of "odd-even" items:				
Actual Correlation .....	.83	P.E. <i>r</i> .018	$\sigma_r = .027$	
Stepped up by Spearman-Brown Formula.....	.91	P.E. <i>r</i> .0098	$\sigma_r = .0147$	

Merit Rating in a Democracy

The development of a rating scale by those in a company who are going to do the rating or by those who are to be rated is more democratic than the arbitrary making of the scale by personnel or other officials of the company. Though this may be true, we are more concerned with whether in general the rating of people and promotion based upon merit is a democratic process or a good thing to do in a democracy.

¹⁵ Clark L. Hull, *Aptitude Testing*, Yonkers, N. Y., World Book Co., 1928, p. 491.

In a democracy, emphasis is placed upon the right to the dignity of the individual and the responsibility of the fullest personal development to gain the respect that an individual should have in a democracy. If a person does not make the best use of his abilities, then both he and his democracy will not accomplish as much as he and his country could or should. Also, if a person has abilities and does not have the freedom and especially the opportunities to use them, he cannot accomplish for himself and his country to the extent of his ability. A loss to himself and his country will occur.

Everyone in a democracy is supposed to have equal opportunity to progress according to his ability. The accomplishment which will result should be the extent to which he uses his ability until he reaches the limit of his ability. What each person needs is freedom and opportunity to use his ability.

Personnel rating, as a part of merit rating, is a plan for giving each employee an opportunity to learn what his abilities, his strong and weak points are or how they are judged by others, and to learn to use them to his own as well as his company's and his country's progress. All will progress together and to their utmost if all individuals in a democracy are using their abilities to the greatest extent, and not until they do.

CHAPTER 8

LABOR TURNOVER, PROMOTIONS AND TRANSFERS

Labor Turnover

Labor turnover is the extent to which separations or accessions of employees occur in the working force of an organization. Discharging or employing each worker involves an expense to the company which is often greater than management realizes and which is frequently overlooked. Labor turnover is controllable to a considerable extent.

The subject of labor turnover was discussed as far back as 1909. One of the first printed references to it was made in that year by John R. Commons, who cited the much discussed methods of a Pittsburgh machine works which hired 21,000 men and women in order to keep a force of 10,000 employees. Heated discussions followed, but the real effects of labor turnover were not felt to any great extent until World War I. At that time the supply of labor became short, and government agencies began to study it in order to find a remedy. The investigators' reports brought forth abundant material, such as the data to be found in the statistics from the United States Department of Labor for 1918, and also in the reports of the Federal Board of Vocational Education for 1919. One outstanding presentation on this subject was that of Dr. S. H. Slichter in his book, *The Turnover of Factory Labor*.¹ Various associations, such as the American Management Association and the Personnel Research Federation, have obtained further material on the subject.

The main cause of labor turnover in one factory may be quite different from that in another. An early specific cause was unsound decentralized employment methods. A centralized employment department, whose duty it is to hire systematically, to transfer wisely, and to discharge considerately, can decrease turnover. Promiscuous hiring on hunches and personal prejudices and inconsiderate "firing" will naturally cause unnecessary turnover. Changes in general business conditions which the individual employer cannot control, naturally bring with them a need for readjustment. If the product of a company cannot be sold, it usually follows that wages and the working force must be reduced. Other causes of turnover are poor wages and incorrect wage-setting processes, poor working

¹ New York, D. Appleton-Century Co., Inc., 1919.

conditions within the plant, and inadequate training. Poor supervision based upon personal prejudices and dissatisfactions causes unrest. The lack of a recognized procedure for the presentation of grievances and dissatisfactions may also be an important cause of labor turnover. In general, inadequate personnel policies and activities are the basis of the difficulty, for the personnel policy involves not only the personnel or employment department but also personal relationships and their improvement.

On the other hand, there are some existing labor turnover causes, which the employer cannot readily change. Some of these are geographical location of the plant, the type of industry or product² manufactured, the state of the labor market activity, the time of the year, and the character of the workers as determined by such factors as nationality, class, and sex.³

All personnel turnover is not detrimental. Some employers feel that a certain amount of it is beneficial to every organization in order to get rid of inefficient employees or "dead wood." In fact, no turnover at all might be stagnation and might produce "ingrowing," which would shut off opportunities for promotion and new methods.

Computation of Labor Turnover.—In the 1930's there was considerable discussion as to the method of computing labor turnover. One theory holds that separations are a proper indication of turnover, while another emphasizes that turnover is indicated by the extent of replacements or accessions. There has also been a theory that turnover should be based upon the average number on the payroll, while still another maintains that it should be computed according to the number of workers actually on the job and should not include the men who are not working but are still on the payroll. Accordingly, a formula has been derived for each theory on the subject.⁴

The percentages of labor turnover obtained by the application of these formulas to the same set of organization figures varied from 173.7% to 352.8%. The highest percentage was more than twice that of the lowest. The many discussions on this subject led to the establishment of a more uniform method for considering and calculating labor turnover.

An employer may compute his own labor turnover, but unless he has comparable figures from similar companies, calculated by the same proce-

² Ann Bezanson (*Journal of Personnel Research*, February, 1927) found that, in four metal manufacturing centers, the difference in labor turnover levels was largely due to type of product manufactured and rate of growth of the payroll.

³ As early as 1925, H. B. Berger found (H. L. Doherty & Company, New York) that women were not less stable in employment than men.

⁴ See the author's *Applied Personnel Administration*, New York, John Wiley & Sons, 1931, Ch. XIV, for these formulas.

INSTRUCTIONS**Period Covered.**

The period covered by the report should be the complete calendar month, if possible. The beginning and ending dates should be shown. The report for July, for instance, should cover the period from July 1 to July 31, inclusive. If a period other than a calendar month is given, the first date included in the report should be the day immediately following the last day included in the preceding report. When a firm reports for 13 periods in a year, an additional set of forms will be mailed for the 13th period.

Employment.

Factory Workers: Include all wage earners, both time and piece workers, employed in the plant (including the power plant and maintenance, shipping, warehousing, and other departments). Working foremen and "gang and straw bosses" should be included with wage earners, but foremen whose duties are primarily supervisory should be classed as supervisory employees.

All Others—Clerical and supervisory personnel: Include employees engaged in clerical work in the plant, such as clerks, stenographers, bookkeepers, timekeepers, etc., in all production and nonproduction departments.

Separations.

A separation is the termination of employment of any of the following types:

- (a) A quit is a termination initiated by the employee, regardless of his reason (which may be dissatisfaction with hours, wages, working conditions, labor policies, or due to obtaining a better job, or for any other reason).
- (b) A discharge is a termination initiated by the employer, with prejudice to the worker, for such reasons as incompetence, violations of rules, dishonesty, insubordination, laziness, etc.
- (c) A lay-off is a termination initiated by the employer, but without prejudice to the worker. A short furlough during which the name of the worker is retained on the pay roll is not to be regarded as a lay-off as here defined. The same rule applies to suspensions of operations during the inventory period and to vacations. All other separations, whether caused by lack of orders or materials, breakdown of plant, release of temporary help, introduction of labor-saving machinery or processes, etc., are to be treated as lay-offs. This definition of lay-off may lead to some distortion in the general lay-off rate because, under similar conditions, some companies will furlough an employee but keep him on the pay roll, while others will remove him from the pay roll. Simplicity necessitates the definition as given here.
- (d) A military separation is the termination of employment of a worker entering the armed services of the United States Government. Include all workers inducted into the armed service whether or not retained on pay rolls.
- (e) The miscellaneous group of separations includes those due to death, permanent disability, retirements on pensions, and similar reasons.

Accessions.

An accession is the hiring of a new employee or the rehiring of an old employee. Distinguish, however, between (a) the rehiring of former employees after a separation not exceeding 3 months, and (b) the hiring of other workers regardless of whether or not they were formerly employed by your company. Employees returning to work after a short furlough should not be considered accessions.

Transfers.

Transfers are not considered accessions or separations, but the number of employees transferred to or from other plants and the number of intergroup transfers should be indicated under item 5.

General.

A simple check on the completed report is as follows: To the number of employees shown on the pay roll at the beginning of the month, add the total accessions and subtract the total separations. The resulting figure should coincide with the number of employees shown on the pay roll at the end of the period. If this is not the case, please explain the discrepancy under "comments."

U. S. GOVERNMENT PRINTING OFFICE 16-11864-1

Figure 44b. Report on Labor Turnover (reverse),
U. S. Department of Labor

ture, he may not be able to tell whether his are normal or whether they should be changed. The standardization of labor turnover procedure and the providing of comparable statistics during recent years have been due greatly to the efforts of the United States Bureau of Labor Statistics. The instructions for compiling turnover statistics recommended by that Bureau and the form for reporting turnover are given in Figure 44.

The formula recommended is the ratio of the total number of separations to the average number on the payroll, as follows:

$$T = \frac{S}{M} \times 100$$

T = The labor turnover in per cent or per 100 employees.

S = The total separations which include quits, discharges, and layoffs.

M = The average number on the payroll.

The result is given in terms of percentage, or the rate per 100 employees, and is figured either on a monthly or a yearly basis, the time being stated when the turnover figure is given. If a factory has an average of 1,000 persons on its payroll and has 100 separations per month, the turnover for that month would be computed as follows:

$$T \text{ (Turnover in \%)} = \frac{100 \text{ (Separations)} \times 100\%}{1,000 \text{ (Average force on payroll)}} = 10\% \text{ for the Month}$$

It is customary to express turnover rate in terms of its equivalent annual rate.

Employment mobility is shown by the *net turnover rate*, which is the rate of replacement. It is the *accession rate* in a declining force and the *separation rate* in an increasing force. The accession rate is the number of employees hired or rehired divided by the average number on the payroll. The net turnover rate is given because in an increasing force the accession rate will be higher, while during the curtailment operations the separation rate will be greater. The net turnover rate, therefore, will always represent the lower of the two. In an increasing force the separation rate is used because more people are hired than leave and, therefore, the number hired above those leaving is due to expansion and cannot justly be charged to turnover. With a decreasing force, the accession rate shows the net turnover. This is because more people leave than are hired, and therefore, the excess of separations over accessions is due to the reduction of force and cannot be logically charged as turnover expense.

The turnover rates for an individual establishment are computed by dividing the items of accessions and separations by the average number

on the payroll and multiplying by 100 to obtain the rate per 100 employees for the month. The average of the number of employees at the beginning and at the end of the month is used to represent the average number on the payroll during the month. In compiling the rates for an industry, the actual numbers for the several establishments are added and the general rates computed from the grand total. Thus, each establishment has an influence, or "weight," in the rate in proportion to its size.

In comparing monthly rates the number of days in the month should be considered, as no adjustment is made in the monthly rate because of the number of its days. If an equivalent annual rate is desired, the monthly rate can be multiplied by 11.77 if the month has 31 days; by 12.17 if it is a 30-day month; by 13.04 if it is a 28-day month; and by 12.62 if it is a 29-day month. With the adjustment in the equivalent yearly rate this latter figure affords a more exact comparison as between months.⁵

Extent of Turnover.—The extent of labor turnover will vary with individual companies and different departments of the same company, according to the causes. It is a problem in itself for every employer. In actual yearly percentages the extent will vary from about 25%, which is good, to about 600%, which is poor. The average turnover rate of 169 metal firms of 184,000 employees was approximately 140%. Three hundred and fifty manufacturers with work forces aggregating about 600,000 employees, reported, from 1924 to 1929, an average accession rate of about 4% per month and a total separation rate of 3½%, the layoff and discharge rates one-half of 1% each, and the voluntary quit rate 2½%, or about three-fourths of all separations.⁶

The greatest turnover exists in short-service employment groups. Usually more than 50% of the separations are employees who have been working for the company for less than three months. Greater employment fluctuation exists among the unskilled than among the skilled workers. Moreover, high turnover is typical of some occupations, while others have low rates of fluctuation.

In 1941 the annual separation rate for all manufacturing was 46.68%. The variance between the rates in different industries can be seen by a random selection of a number of manufacturing companies. The separation rates were as follows: aircraft, 44.01%; aluminum, 60.00%; automobiles and bodies, 69.63%; brass, bronze, and copper products, 50.29%; cement, 39.61%; chemicals, 32.42%; electrical machinery, 36.50%; iron

⁵ *Monthly Labor Review*, May, 1942, p. 1205.

⁶ William A. Berridge, "Measuring Labor Turnover," *Personnel Journal*, Vol. VIII, No. 3, October, 1929, p. 202.

and steel, 23.73% ; and petroleum refining, 20.64%. The annual accession rate for 1941 was 64.51%. These rates in the industries mentioned above were distributed as follows: aircraft, 124.32% ; aluminum, 63.21% ; automobiles and bodies, 66.22% ; brass, bronze, and copper products, 65.52% ; cement, 54.55% ; chemicals, 50.49% ; electrical machinery, 68.17% ; iron and steel, 35.30% ; and petroleum refining 27.26%.⁷

Labor turnover will vary from month to month and from year to year according to the condition of business, the business cycle, the occupation, war and peace, and other factors which affect employment stability. Figure 45 charts labor turnover rates in manufacturing from 1933 to 1942.

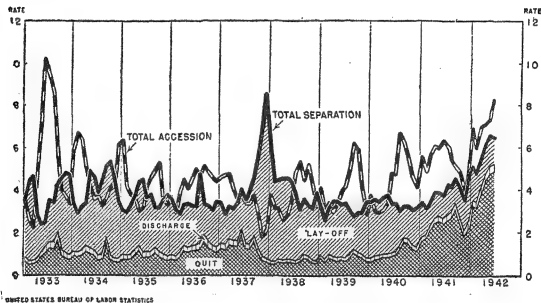


Figure 45. Labor Turnover Rates in Representative Factories—per 100 on Payroll
(*Monthly Labor Review*, September, 1942)

Cost of Labor Turnover.—The average employer often does not realize the cost of labor turnover, although in most cases it represents a real loss to the management. It is difficult to measure but it can be closely estimated by figuring the losses in production and the indirect expense involved in the turnover. The typical items of labor turnover cost for which fairly accurate estimates can be made are given in Table 7.

Besides the items of cost mentioned, there are other factors which have a deteriorating effect upon the worker and possibly upon the community. The cost to the workman in loss of wages during unemployment, the expense of finding and moving to a new job, the possible loss due to lower salary in new work, and the dispiriting effect of unemployment cannot be

⁷ U. S. Bureau of Labor Statistics, "Labor Turnover," *Monthly Labor Review*, May, 1942.

calculated in terms of dollars and cents. The average cost of labor turnover to the employers varies from \$8.50 for laborers to \$250 for skilled employees. The average cost of turnover for a typical semiskilled worker is about \$59.

TABLE 7. ITEMS AND COST OF LABOR TURNOVER

COST OF HIRING:

- Employment office expense.
- Medical examination cost.
- Advertising, prorated over number hired.

COST OF TRAINING:

- Training department cost.
- Foreman's or workman's time with new man.

EXTRA LABOR COST:

- Day wages in excess of piece rate earnings.
- High unit cost of production on time basis.
- Extra men needed to make up for deficiency of new man.
- Overtime caused by the deficiency of new man.

EXTRA OPERATING COSTS:

- Additional power due to reduced rate of output.
- Additional lubrication due to reduced rate of output.
- Additional light due to reduced rate of output.
- Additional heat due to reduced rate of output.
- Additional service due to reduced rate of output.
- Greater wear and tear on machinery.
- Spoiled work beyond normal.
- Increased accidents due to greater accident frequency during learning period.

EXTRA INVESTMENT COSTS:

- Interest, depreciation, insurance, taxes, and repairs on additional plant investment necessary on account of reduced output.

LOSS OF BUSINESS:

- Loss of goodwill and business through products and services by inexperienced employees.

The estimated cost of labor turnover for the hourly rate of employees of a single plant of a boiler manufacturing company is presented below:

1. Loss in production—between time of decision to quit and actual quit	\$10.00
2. Loss of production—during period of time between leaving of former employee and engaging of new employee.....	48.00
3. Employment office salary cost—of handling leaving transactions....	1.87
4. Employment cost—office salary cost—of handling hiring transactions....	3.75
5. Medical division cost—of physical examination for new employees	1.10
6. Payroll and accountant department salary cost—for leavers and replacements	5.00
7. Shop office salary cost—for leavers and replacements.....	2.00
8. Supplies cost—for stationery, photographs of new employees, etc....	.50
9. Loss in production—during time of training new employee.....	10.00
10. Loss of material—spillage by new employee.....	5.00
11. Extra supervision required—floor space—use of equipment, during period of time required to bring new employee to the point of standard production	7.00
12. Rent, light, heat—office of employment department.....	1.00
13. Medical division cost—frequency of accidents among new employees above normal .....	.25
TOTAL	\$95.47

Turnover Records.—These turnover costs bring to an employer some of the importance of study of labor turnover. One of the first steps in curtailing managerial expense in this respect is to know the extent of labor turnover. This can be readily figured if the company maintains adequate turnover records. These should provide individual records for each employee who has left, and a summary of all individual records grouped to show the reasons for leaving. They should give to those in charge of personnel policies sufficient departmental information and causes of turnover to enable them to decide wisely upon the improvement of labor policies. They should show the relative records of various foremen and departments; the effect of the various kinds of work, the critical periods of certain jobs; the effect of sex, marital status, nationality, and other factors to be found in certain positions; the adequacy of wage and piece rates; and the need for housing and transportation.

Reduction of Labor Turnover.—Once an employer has adequate records and has determined the causes of turnover, sound personnel policies and procedures should be established as the prime bases for reduction. Secondly, as the business cycle has such an effect upon the subject, the employer should cooperate in an attempt to stabilize business as a whole and especially to prevent seasonal and other unnecessary labor fluctuations within his own plant. In addition, adequate centralized employment should be considered by every employer in order to prevent careless hiring and "firing" and to effect scientific employment and promotion and wise transfers. Interviewing all discharged employees will often present criteria for the reduction of labor turnover. The "exit" interview was especially important during World War II.

Training for foremen on labor turnover has been found effective, as the study of the turnover cost of the particular company often brings to them the need for controlling this often unnecessary expense. Adequate training of the worker in the performance of his work, the use of safety devices, and the improvement of working conditions within the plant have all been found very useful in the prevention of excessive turnover. Research assists in working out plans for reduction, such as the comparison of turnover in firms making the same product, a study of the effect of wage scales on turnover, and the exchange of turnover figures between companies.

Some companies have made splendid progress in the reduction of labor turnover. In the North Works of the American Steel and Wire Company of Worcester, Mass., it was necessary in 1920 to hire 2,231 men (90%) in order to maintain a working force of 2,500, while in 1928 only 382 men or 19% were hired to maintain a force of 2,000. Other com-

panies can obtain similar results by considering and applying the methods of reducing personnel turnover.

Promotions and Transfers

Promotions.—The fact that practically every employee is interested in his advancement and works for promotion makes the subject of promotions a very important one in the field of personnel relations. Promotions may be made in the following forms:

1. Advancement in wages or salary.
2. Increased responsibility, authority, position, or title.
3. Decreased working time, such as hours per day, days per week, or increased vacation.
4. Transfer of employment to better location or department.
5. Improvement of working and living conditions.
6. Provision of opportunities for greater training, experience, and outlook.
7. Increase in security of position and benefits offered.
8. Extension of length of service because of outstanding work.

The forms of promotion for which the employee will work vary according to the individual. The incentive to work in one case may be an advance in wages, while in another it may be an increase in responsibility, authority, position, or title. For this reason the best attitude for an employer to take is to provide each employee with as many opportunities for promotion as possible, and to endeavor to give at least one form of promotion as often as possible. Industrial companies should use the various forms and should not merely advance their men in salary, for if use is made of all of them, promotion will come more quickly, and will bring with it greater interest, industry, and initiative on the part of the worker.

Promotion should be carried on in a businesslike way and should follow a systematic procedure in order to obtain the highest efficiency and the greatest interest and confidence from the employees. Relatively few companies, large or small, have systematic plans of promotion. The remainder let them come naturally as vacancies and opportunities occur.

The reasons for a systematic promotion plan may be given as follows: it increases employee interest and individual incentive; it increases the company's production and earnings; it produces loyalty and confidence in the company; it makes the employees feel that the management has a real interest in them and that outsiders will not be pushed into the better places ahead of them; it develops the employee by making him realize the need

for training and development that will fit him for the job ahead ; it makes the management study the employees and train them better ; it rewards merit and hard work ; it reduces labor turnover.

Often employees leave a company because of the lack of opportunities for promotion. Furthermore, the leaving employee knows and disseminates information about the company's inadequate methods and policies. In some companies promotion is slow because there are not enough new positions or turnover for regular advancement. In other words, the company is not growing enough to make new and better positions available.

Many company officials object to regular promotions because of the part that petty politics and personal likes and dislikes play. Other objections to systematic promotions are : that often men are promoted when they really do not deserve it ; that some men do not even want promotion and would rather remain on the job which they like or which may not require too much thought or energy ; that a systematic promotion plan does not stop wants and dislikes ; that a routine promotion system does not give sufficient results to justify the expense of training employees ; that false hopes given out and the overstated possibilities of advancement do more harm than good ; and that sometimes promotion is made to get rid of persons.

Some companies stay regularly inside their own organization for promotional material and the promotional point of view. Even though all organizations which do not have a systematic promotion plan cannot be condemned, let it be emphasized that system and systematic considerations are important in promotion.

Plans for Systematic Promotion.—There are two main plans for systematic promotion, the *Three-Position Plan*, and the *Multiple-Chain Promotion Plan*. The Three-Position Plan of Promotion was devised by the late Frank B. Gilbreth and Lillian M. Gilbreth. It is described by them as follows :⁸

The Three-Position Plan of Promotion considers each man as occupying three positions in the organization, and considers these three positions as constantly changing in an upward spiral, as the man is promoted from the lowest position that he occupies and into the position next higher than the highest position that he occupies. The three positions are as follows : first, and lowest, the position that the man has last occupied in the organization ; second, the position that the man is occupying at present in the organization ; third, and highest, the position that the man will next occupy. In the first position the worker occupies the place of the teacher, this position being at the same time

⁸ *Annals of the American Academy of Political and Social Science*, May, 1916.

occupied by two other men, that is, by the worker doing the work, who receives little or no instruction in the duties of that position except in an emergency, and by the worker below who is learning the work. In the second position the worker is actually in charge of the work, and is constantly also the teacher of the man next below him, who will next occupy the position. He is also, in emergencies, a learner of the duties of his present position from the man above him. In the third position the worker occupies the place of the learner, and is being constantly instructed by the man in the duties of the position immediately above.

The Three-Position Plan is more adaptable to a "straight-line" organization, but it can be used in a staff organization when the promotion is run in a straight line within a function. As shown in Figure 46, B is doing the actual work in his position; B is learner or student of A's posi-

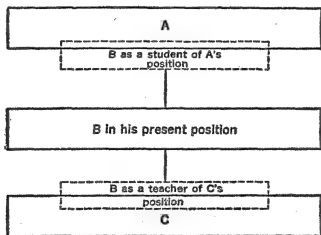


Figure 46. Three-Position Plan of Promotion

tion, the position just ahead of him, and B is a teacher of C's position. This plan might have a tendency to discourage B and limit his outlook because he may realize what he will have to go through in order to get to the position to which he aspires. This training and his endeavor to fit himself for the higher position may be handicapped by going through the various jobs. One advantage is that this plan facilitates a definite training program.

The Multiple-Chain Promotion Plan considers each man, or rather each position, as a link in a multiple chain. It reaches from the lowest laborer to the highest executive. Each position is connected by opportunity-for-promotion links. The chain branches out, and one position may lead to several links or positions of a similar nature, but of higher order. For example, a machinist may be promoted to assistant machinist foreman, inspector of metal parts, tool designer, or instrument maker; then

from each of these to a number of positions, and so on to the top of the organization, as is shown in Figure 47.

Under the Multiple-Chain Promotion Plan, a person may reach a desired position by more than one path. He may be shown the positions ahead of him and may be enlightened as to how he can become qualified by training and development. The plan necessitates a broader training program and gives each employee a choice of additional jobs for which to be trained. It is especially good in a growing organization, where new positions develop rapidly along the chain and where each can be filled from more than one of the connecting link positions. It is also effective

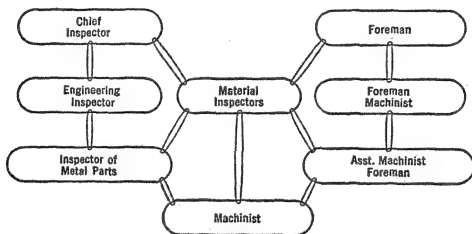


Figure 47. Multiple-Chain Promotion Plan

in a functional type of organization, where one classification of work may fit an employee for a similar yet higher classification in several other departments. A combination of the two plans may be found to work more successfully in some companies.

Another promotion procedure depends upon the promotion of men to better positions in other companies in the same corporation, or to outside companies who cooperate to the fullest extent in matters of employment. This provides the company with a means of spurring on capable employees when its employment is slow or promotion is somewhat limited. By cooperating with other organizations in this way, a new source of personnel supply is opened. In some cases it is working very effectively.

Promotional Chart.—The maintenance of any systematic promotion plan necessitates a thorough study of all the positions and promotional possibilities. If the Three-Position Plan is in use, each employee should understand clearly which position he is to study, and which position he is to teach. In the Chain Promotion Plan, every employee should understand which positions are possible promotions for him, and that, if he does

excellent work at his present job and develops to the point where he is able to assume the work of those higher up, he will be given a chance.

For this reason, job specifications should contain the promotional possibilities of each job. A thorough study of the relations which one job has to the other job should be shown in the job analysis, placed on the job specification, and explained to each employee at the time of employment. It may be explained to him when the specifications for the job are being interpreted. He may be given a sheet showing the promotional possibilities of his position depending upon his work and development. The individual promotion charts are sometimes called "fortune sheets," as for example, the "fortune sheet" for a machinist shown in Figure 47.

After a thorough study of each position's promotional possibilities by means of job analyses, job specifications, and "fortune sheets," a promotional chart of the entire organization can be set up. This diagram can give in detail all lines or chains of promotion from the lowest laborer to the highest executive. It is, in fact, a "fortune sheet" for the entire company. With a sound company goes a sound promotional chart. One procedure used in developing a promotional chart is to coordinate the "fortune sheets" or the promotional possibilities as given on the job specifications. Constant study of the promotional chart, coupled with a promotion policy of merit and ability, will be far-reaching in increasing plant efficiency, good will, and confidence, for it decreases or practically destroys the "blind alley" or "dead-end" jobs. The desire to do good work, to reach out and possess more, to attain a position of self-assertion, and to know what is ahead and how to get there, makes the good worker eager and willing to accomplish those things which are necessary for progress.

Reasons for Promotion.—The reasons for promoting an employee may be listed as follows: (1) hard work with excellent quality and quantity of production, (2) performance of more and better work than required, (3) outstanding work, (4) exceptional knowledge, ability, and personality for job ahead, (5) opportunities available, (6) experience, (7) seniority, (8) production of increased earnings for the company, (9) more valuable to company in job ahead, (10) good understudy, (11) lack of need for constant supervision(initiative), and (12) wide personal acquaintance (self-made "pull").

The American Management Association listed the reasons for promotion as follows:⁹ "careful individualizing and logical selection on the basis of meritorious service, demonstrated ability, potentiality, adaptability, experience, general value, training, self-improvement tendencies, length of service, personal preference, attendance and accident record."

⁹ *Methods of Transfer and Promotion in Business Organizations*, Survey Report No. 8.

Transfers.—A transfer is the removal of an employee from one position and the placement of him in another. Transfers of employees increase interest in their work, reduce the monotony of a long period of work on one job or in one department, reduce labor turnover, and decrease the number of "dead-end" or "blind alley" jobs. They may also increase the health conditions of employees. They tend to equalize and to regularize employment in the various departments, and in addition they tend to prevent or correct personal maladjustments between foremen and workmen.

The systematic or regular transfer plan is rarer than a promotion plan. Transfers, as well as promotions, require job study and analysis. The relation of the jobs of one department to the jobs of another department must be worked out, and those of each should be listed in such a way that transfer possibilities can be readily seen and made. Often, it may be to the best advantage of the company to transfer a good worker in one department to a similar position in another, where things have not been going so well. This often increases the efficiency of the poorer departments without greatly decreasing the efficiency of the others.

Promotions and transfers require a great deal of work and study. Nearly every company with a personnel department places on that department the responsibility of working out a wise plan for promotions and transfers. It must have the cooperation, advice, and help of all departments concerned. In one of the large steel companies no changes, transfers, or promotions can be made without the approval signatures of the foremen and superintendents concerned, the vice president in charge of production, and the director of personnel. This also produces cooperation among the departments and the personnel office.

With the personnel department's responsibility for working out and operating a wise plan for advancement goes the necessity for the education and training of workers. Before an employee can be transferred, he must have all the educational requirements or be trained to do the work of the new position. There should be a proper place for every man, and every man in his proper place. Therefore, the personnel department must lay out the educational and training activities of the company to fit in with the promotional and transfer plan.

A wise selection of those who are to be promoted or transferred is also an important problem to be solved. It is done in many ways. One plan, which has been used, is to apply intelligence, psychological, and special ability tests as guides. Another, and probably the most used, plan is to keep detailed and complete records of each employee's history, character, personality, performance, work, outside activities, and any other information which may be pertinent to his promotion or transfer. Several com-

panies make use of rating scales and reports by foremen and others on the employee under consideration. Sometimes rating scales are used in promoting and transferring. On this scale the foreman and two others rate the employee. The ratings are then averaged by the personnel department for use in making the promotions or transfers.

Discharge, Rehiring, and Absenteeism

Discharge and rehiring, though related to labor turnover, are concerned with the relations between the employee and the employer after employment. When a worker proves himself inefficient on the job after a number of attempts at readjustment, it may be necessary to discharge him in a way that will be of the greatest benefit to the company and to himself. Sometimes an employee leaves of his own accord and then wishes to return. In such instances his former employer may find it profitable to rehire him. The personnel relationships involved in the "firing" and "rehiring" are important and should, therefore, be considered just as thoroughly as other personnel activities.

Discharge.—Discharge is termination of employment by the employer and is due in most cases to the employee's inefficiency in executing his duties. Layoff differs from discharge merely in the fact that the employee is not to blame for the termination of the employment. In the case of a layoff, the reason lies with the employer, because the personnel, production, and sales budgets were not worked out in such a way as to maintain a steady force of workers. It is the employer's responsibility to see that employment is regularized. If this is not done, the attitude of the workers toward the company with reference to employment tends to become antagonistic.

Placing the blame with the employer and management rather than with the employee is a new idea in discharge procedure. In former years, if a man was inefficient or broke a regulation of the company, he was "fired" by the foreman or the superintendent, and nothing further was said—the employee took the blame. With the growth of small companies into large ones, and large companies into consolidated corporations, authority for discharge began to shift to the personnel department. The belief is growing rapidly that it is not necessarily the worker's fault, when he proves to be inefficient or is unfamiliar with the rules. Another sentiment is that if an employee is discharged, either poor selection or poor management is to blame. If the worker was not worthy of being hired when he came with the company, then it was poor selection; if he was capable but was wrongly placed, trained, or managed, then again it was the company's poor management that caused the discharge.

On the other hand, caution should be taken against too few discharges. Too much "dead wood," caused by the natural creeping in of personnel imperfections, may slow up quantity as well as quality in production. No organization is really perfect, and all discharges should be studied. They often cause more loss to the company than to the worker, but as a rule they prove to be a greater penalty to the employee, as a discharge often means a serious setback in his life. Some discharges may be inevitable, because of imperfections in organization and in workers, and, therefore, they must be considered from several points of view.

The main reasons for discharge may be briefly stated as incompetency, unreliability, laziness, carelessness, insubordination, misconduct, and bad habits. In many companies these causes are clearly outlined in the form of rules and regulations, the breaking of which may result in severed relations without further notice. These rules are often posted in conspicuous places or given to the worker at the time he is employed.

Discharge responsibilities and methods vary in different companies. Responsibility for discharge may rest with the foreman alone, or with a number of company officials, or with the personnel department, or in some companies even with a committee of workers who act on each discharge. The old method of giving the foreman full responsibility was the rule during the early stages of manufacturing in small factories. It exists today in small plants where personnel departments are not established and where personnel work is performed departmentally by the foreman. When labor unions grew in members and power, the management was required in many cases to discuss with trade union officials the discharge of any of its members. Usually the agreement entered into by the company and the union regulates the discharge of the union members.

The establishment of the personnel departments to handle the employment problems for the company as a whole led to a much more effective method of discharge. The personnel staff was not interested in or prejudiced against any one particular operating department. The foreman, being responsible for production in his own department, is in close touch with his own workers, but he is not familiar with the personnel needs of the whole organization, as the personnel officer should be. Often a foreman may discharge a man merely for reasons personal to the foreman himself, yet the "fired" man may be needed, and may prove to be a good worker in another department. The personnel department, understanding the situation, can prevent discharge by a transfer and, in so doing, prevents the employee's introductory training, which was paid for by the company, from being a total loss.

Sometimes the responsibility for discharge is divided between the foreman and the personnel department, requiring the approval of both

before becoming effective. In many plants the foreman is given the power of dismissal from his department, but not dismissal from the company, which is left with the personnel department. In many cases the personnel department has found it necessary to persuade the foreman to rehire his previously discharged worker. When authority for absolute dismissal from the company has been taken from the foreman and put into the hands of the personnel department, the number of discharges, in many cases, has fallen off greatly.

With such effective discharge reduction, the personnel department soon gained in authority until now in many companies the foreman cannot dismiss an employee from his own unit without the approval of that department. Also, in many companies, the discharged employee is given his final pay check by the personnel department, which provides an opportunity for ascertaining the employee's side of the question, if this has not been done before. Often, management difficulties in departments can be discovered and overcome as a result of the information gained during the separation interview.

The procedures of discharge mentioned above place the responsibility of dismissal upon the management, represented by the foreman or the personnel department or by combinations of the two. Some progressive companies, recognizing the value of employee representation in management affairs, actually grant a share of the discharge responsibility to the employees. If employees are capable of handling shop rules and regulations, certainly they are able to have a share in deciding on dismissals among their own number. The gradual growth in this belief has brought about the handling of discharges by a joint committee composed of the foreman, the representatives of the personnel department, and the union.

The procedure of discharge by a joint committee seems to be the most satisfactory method, because all concerned are represented and have a chance to be heard. Where this plan is in force, it is usually wise to establish, in joint conference, a list of the causes for discharge, agreed by all as equitable to enforce. It is also considered good practice to have the regulations of discharge approved by a referendum of all workers upon the recommendation of the joint committee. If the regulations are so approved, it is easier to bring the discharged worker to an understanding of his own case.

Under any of the methods of discharge mentioned, there should be a definite procedure to predetermine those who are most likely to be discharged in case of layoff. On some of the railroads the Brown System of discipline has been used, which is based upon merits and demerits. If an employee does his work and certain other things well, he receives merits;

if his duties are executed poorly or not done at all, he receives demerits. Generally in such a system, if an employee receives a certain number of demerits, he is liable to be discharged. The merits and demerits are governed by rules and regulations.

Periodic ratings by supervisors are useful in systematically finding the undesirable, as well as desirable, employees. Quantity and quality of production, length of service, conduct, and attendance are some of the points considered. Under this plan workers who receive the lowest ratings are the first to be discharged or laid off.

Rehiring.—Rehiring, in general, has to do with employing a worker who has previously been in the service of the company, whether he may have resigned, have been laid off, or even in some cases discharged. When an employee leaves the company, a rating on whether or not the worker is rehirable should be made by his foreman, superintendent, and someone else. Should the employee who has been laid off or who has resigned apply for work again, the employment department can refer to this rating information and determine whether or not he should be reinstated.

After periods of depression, former employees who were laid off form a large source of supply. Also, most union contracts require reemployment according to seniorities. It is often a good policy to rehire employees who resigned, provided they possessed a reputable record with the company. It may be an advantage to do this because, although they have experienced other conditions and followed other practices, they can still return with a full knowledge of their previous work. In other words, they know what they are going into. The company in such a case reaps the reward because initial training is saved. For this reason, the employment department should keep in touch with most of the layoffs and resigners who are worthy of rehiring. In rehiring an employee, all the circumstances of his former employment with the company should be well known to the employer.

In many companies rehired men comprise a large part of the total number. As early as 1905 to 1910, Dr. S. H. Slichter¹⁰ found the percentage rehired in a steel mill within a year of leaving was from 32% to 62% per year of the total hired; in an eastern silk mill, 1908 to 1915, from 35% to 54% of the total hired per year were rehires. Many similar statistics can be given which prove that the rehiring of layoffs or resigners is usually a good plan.

It should be a policy to interview every employee leaving the employ of any company, whether he has been discharged, laid off, transferred, or

¹⁰ S. H. Slichter, *The Turnover of Factory Labor*, New York, D. Appleton-Century Co., Inc., 1919.

Name _____	Clock No. _____	Date _____	194 _____
Address _____		Date Hired _____	
Regular Occupation is _____			
Other Special Training _____			
Employment to Terminate on Day _____ Date _____ Time _____			

LAY-OFF	QUIT	DISCHARGED
Reduction of Force _____ Lack of Tools _____ Breakdowns _____ Physical Reasons _____ Incompetent _____ Poor Production _____ Poor Quality _____ Poor Conduct _____ Wage Assignments _____ Other _____ Explanation _____ 	With Notice _____ Without Notice _____ For Higher Rate _____ Working Conditions _____ Left City _____ Health _____ Other _____ Explanation _____ 	Low Quantity of Production _____ Low Quality of Production _____ Incompetent _____ Poor Conduct _____ Poor Attendance _____ Tardiness _____ Loafing or Wasting Time _____ Broke Rules _____ Disloyal or Insubordination _____ Dishonest _____ Other _____ Explanation _____

FOORLY	SATISFACTORILY			EXCELL- ENTLY +	GIVE REASONS FOR YOUR RATING
	BELOW AVERAGE	AVERAGE	ABOVE AVERAGE		
How well has he done his work?					
(a) Quantity of work					
(b) Quality of work					
How well qualified is he to do the work?					
How has he conducted himself?					
How well did he get along with people?					
(a) With fellow employees?					
(b) With his foreman?					
(c) Other departments?					
How well did he keep his workplace and equipment?					
How well did he adhere to the safety rules?					
(a) With reference to himself?					
(b) With reference to others?					

Would you rehire this person for the same work? Yes _____ No _____ Why _____

Would he be an excellent employee on another job in Reverse? Yes _____ No _____ What _____

Remarks _____

Signed _____ Foreman _____ Approved _____ Supt. _____

Interviewed by Personnel Officer Date _____ by _____

Comments _____

Figure 48. Separation Record

whether he has quit. By analyzing the discharges and quits particularly, much can be learned of the company's personnel difficulties in the various departments from the employees' point of view. Once the management knows what its difficulties are, it will be easier to correct them. The exit interview should help to improve management.¹¹ Figure 48 shows a sample separation record used by a number of companies.

¹¹ For example, see "How Kaiser Keeps 'Em from Quitting," by John Patric with F. J. Taylor, *Nation's Business*, December, 1942.

Absenteeism.—During World War II, absenteeism became almost a national problem because of its relation to war production. Absenteeism is a serious problem during war or peace.

From sickness alone the United States Health Service estimated that eight days are lost every year by each gainfully employed individual. When five or six additional days are added for other reasons, this amounted to nearly 717 million man-days each year based on the 1942 national employment figures. Translated into hours, this meant nearly 6 billion hours a year which could have produced over 170 battleships, 1,800 submarines, 120,000 medium bombers, 300,000 fighter planes, or three-quarters of a million light tanks. In March, 1943, the National Industrial Conference Board¹² estimated the average number of days lost per employee per year to be 9.6 for men and 15.6 for women. The average number of absences per 1,000 employees per month was 241 for men and 438 for women. In general, about 9.6 work days per year for men and 15.6 for women were being lost because of illness, nonindustrial accidents, and personal reasons.

Absenteeism ranges from about 2% to 8%, normally, depending upon the company. In general, before the last war, a job absence rate of 3% was common in industry.

The War Manpower Commission, War and Navy Departments, Maritime Commission, War Production Board, including W.P.B.'s War Production Drive, Labor Department, and Office of War Information studied the problem, during World War II, in an effort to determine proper steps to reduce both voluntary and involuntary absence from work. The studies classified job absences as follows:¹³

1. Unavoidable, caused largely by serious sickness and accidents.
2. Preventable, due to minor illness and preventable accidents, poor housing and overcrowded or inadequate transportation facilities, fatigue caused by excessive work hours, job shopping, and restlessness of workers, and failure to keep materials and products moving steadily to assure maximum use of all workers.
3. Inexcusable, due to failure of managements to impress workers with sense of individual responsibility, inadequate supervision, bad scheduling of work, and failure to obtain all necessary materials in advance, labor hoarding; and, after-payday absences, on the part of workers time off to keep social engagements, hangovers, and "prosperity."

¹² National Industrial Conference Board, *The Economic Almanac for 1943-44*, New York, p. 64.

¹³ Office of War Information, Washington, D. C., February 14, 1943, (OWI.1243).

Common causes of absenteeism and the remedies recommended are:¹⁴

1. Illness. Suggested remedies: medical interviews, after-illness examination, entrance-hiring examination, pledges to keep physically fit, health committees, periodic examinations, nutrition promotion, food wagons, close supervision of cafeteria, eye examinations, encouragement of healthful recreation.
2. Lack of interest in the job. Remedies: general appeals for victory during the war and loyalty to the company, etc., during peace; slogans, pledges, exhibits, posters, letters, etc.; individual appeals by telegrams, notices, and attendance records; favorable and unfavorable mention of the individual, such as posting names, etc.; attendance bonuses, prizes, and penalties; labor-management committee action.
3. Lack of interest in full-time earnings. Remedies: thrift information to workers, bond purchasing for after the war, "rainy-day" education, taxes, rising cost of living, etc.
4. Job shopping. Remedies: emphasis on job clearance and recommendations, job stabilization, seniority, etc.
5. Attention to other responsibilities (such as women for home duties). Remedies: special schedules for women, child care, day nurseries, and clinics; cooperation by merchants for shopping, etc.
6. Long hours and excessive overtime. Remedies: swing shifts and readjustment of shifts, decrease in excessive overtime, readjust nature of work, arrange for one day of rest in seven.
7. Inadequate housing or transportation, or both. Remedies: pooled transportation, governmental cooperation on housing; company participation with transportation; living with fellow employees near plant; etc.
8. Shortages of materials, causing layoffs and giving the workers the opinion that irregular attendance doesn't matter. Remedies: better planning; expeditors.
9. Hiring in excess of immediate needs. Remedies: employment schedules, training schedules, labor budgets, employment standards.
10. Poor planning and scheduling of production. Remedies: better management,¹⁵ production scheduling, man and machine time charts, etc.

¹⁴ University of Michigan, *Dealing with Absenteeism* (Discussion led by A. T. Court, General Motors Corporation, December 7, 1942), Ann Arbor, Mich.

¹⁵ J. B. Fox and J. F. Scott, *Absenteeism: Management's Problem*, Harvard University, Graduate School of Business Administration, December, 1943.

Attendance records¹⁶ are important as a remedy for all these reasons. Above all, personal human consideration and attention is the most important remedy of all.

A tabulation of the reasons for absenteeism, as prepared by one company for a period of six weeks, showed the following percentages and totals:

	Number of Employees	% of Absenteeism
Discipline	10	1.4
Family sickness	51	7.3
Tardiness	53	7.6
Permission	25	3.6
Personal sickness	339	48.4
Transportation	222	31.7
	<u>700</u>	<u>100.0</u>

The immediate follow-up of absentees brought about the greatest improvement in attendance with the telegram and personal call the most effective, together with departmental absentee charts. For example, the following results indicated the value of such a program:

Plant "A" reduced absenteeism 78%, or from 237 a week to 53 a week.

Plant "B" reduced absenteeism 35%, or from 4,423 a month to 2,878 a month.

The absenteeism program of a company in Michigan was a simple one, conducted by one man. The program itself consisted of five steps:

1. Each department head was notified by the works manager to report daily to the personnel department the number of men absent.
2. Immediately after receiving this order, the department heads were visited by the chairman on absenteeism. They were given and instructed how to use the new "daily absence record report" form. The part the department head played in this program was to report daily the names of those men absent to the personnel department.
3. With the name of the absentee at his disposal, the chairman, who was a member of the personnel department, checked the personnel record of the man. With this information, the chairman was better qualified to meet the absentee.

¹⁶ For excellent absence record forms in use by representative firms in war industries, see *Auditing Absenteeism*, U. S. Dept. of Labor, Division of Labor Standards, Special Bulletin No. 12A.

4. Upon returning to work, the absentee was notified to report to the chairman. The purpose of this meeting was to find the real reason for his absence.
5. With this information, the chairman was in a better position to solve the matter to the best interest of the company and the man involved. The majority of cases were settled in the following manner: change of shift, change of occupation, or discharge.

This company reported that its program was highly successful because it was handled on a personal basis. It was believed that any program lacking the personal touch would fail; that each case must be treated separately as each case differs, and that an absenteeism program can function successfully without the aid of literature.

CHAPTER 9

PERSONNEL RELATIONS AUDIT, RESEARCH, AND RECORDS

Personnel Relations Audit

A personnel relations audit is a qualitative and quantitative investigation of the personnel relations progress of a company or organization. It is a report of findings with recommendations for improvement in those activities needing it.

The first step in starting the qualitative part of the personnel relations audit is to convince the management of its need and worth as a check on personnel relations methods and costs. Next, it is necessary to obtain a competent auditor, either from inside the organization or from without. A definite method of procedure and an itemized checklist should be approved before the audit is started. In order to assure the success of the audit, the management must, from the beginning, have a real interest and confidence in the whole audit plan.

The audit should begin by interviews with the officials of the company, starting at the top and coming down through the organization to the foremen and to the employees. During these interviews the auditor can check the different understandings of the company's policies and methods, and find out whether they agree all the way down the line. Use should be made of all records already available. The auditor can then proceed to follow the approved method and examine all items on the audit checklist. The labor audit checklist includes such items of personnel relations as are given on the following audit list (Table 8).

The quantitative part of the personnel relations audit is a specific actual auditing of the personnel progress of the employees in the company. It is the calculating of personnel progress by the more accurate means of measuring it. Below are some of the items, records, and activities that can be checked more definitely, and progress noted from year to year:

Results of morale or opinion surveys	Yearly physical examination records
Personnel ratings	Seniority records
Employment tests and records	Production and incentive records
Attendance, lateness, illness records	Savings records
Safety records	Grievances

TABLE 8. PERSONNEL RELATIONS AUDIT CHECKLIST

I. Organization and Management	II. Personnel Relations Techniques (Continued)
<ol style="list-style-type: none"> 1. Company policies and activities 2. Attitude of officers and others towards personnel relations activities 3. Status in organization and organization chart 4. Interrelationships and coordination with production, sales, unions, schools, etc. 5. Personnel relations officer 6. General effectiveness of standard relations activities 	<ol style="list-style-type: none"> 5. Safety <ol style="list-style-type: none"> (a) Mechanical safeguard (b) Safety education and publicity (c) Safety inspections (d) Safety statistical work (e) Safety engineering (f) Safety competitions (g) Fire and police activities 6. Working Conditions <ol style="list-style-type: none"> (a) Noise, etc. (b) Seating (c) Dust, etc. (d) Transportation (e) Fire hazards and drills
II. Personnel Relations Techniques	
<ol style="list-style-type: none"> 1. Employment <ol style="list-style-type: none"> (a) Development of source of supply (b) Selection and placement: interviewing, tests, selection (c) Introduction to job and follow-up 2. Training and Education <ol style="list-style-type: none"> (a) Apprentice training (b) Job instruction and upgrading (c) Training workers to be foremen (d) Foreman training (e) Executive information (f) General industrial education (g) Company library (h) Americanization 3. Medical <ol style="list-style-type: none"> (a) Physical examination (b) First aid and dispensary (c) Medical treatments (d) Hospitalization (e) Specialization (f) Health education (g) Mental hygiene (h) Recreation and rest periods 4. Sanitation <ol style="list-style-type: none"> (a) Housekeeping and cleanliness (interior and exterior) (b) Water (c) Lighting (d) Heating (e) Ventilation (f) Dressing rooms and toilets (g) Inspections 	<ol style="list-style-type: none"> 7. Personnel Relations Maintenance <ol style="list-style-type: none"> (a) Personnel records (b) Job evaluation (c) Employee rating (d) Wage administration (e) Promotions (f) Transfers (g) Regularization of employment 8. Personnel Service <ol style="list-style-type: none"> (a) Thrift plans — savings, loans, credit union (b) Insurance plans (c) Benefit plans (d) Recreational and social activity (e) Suggestion systems (f) Housing, gardens, and parks (g) Restaurants, lunchrooms, and stores (h) Legal aid and miscellaneous 9. Research <ol style="list-style-type: none"> (a) Research on all phases of personnel and industrial relations (b) Personnel turnover (c) Personnel audit
	III. Public Personnel Relations
	<ol style="list-style-type: none"> 1. Administration of National Labor Relations Act, Wage and Hour Bill, Social Security Act, other federal and state laws 2. Governmental reports

TABLE 8. PERSONNEL RELATIONS AUDIT CHECKLIST (*Continued*)

III. Public Personnel Relations (<i>Continued</i>)	V. Personnel Relations Investigations
3. Cooperation with governmental agencies	1. Wage, cost of living, and other surveys and data
4. Cooperation with other companies and organizations	2. Morale—attitude surveys
IV. Relations with Unions or Other Groups	3. Personnel relations research
1. Collective bargaining	4. Unemployment and layoff procedures
2. Labor contract or policies	5. Preparation of reports for management to employees; employee handbook
3. Handling grievances	6. Organization studies
4. Conferences with union and other groups	VI. Audit Report
5. Conferences with individual employees; individual interviews and grievances	1. Summary
	2. Recommendations

After the checklist has been followed and the quantitative audit made, the auditor is ready to draw up his conclusions and to write them in a brief, concise, and interesting manner so that the management will read them. He should present sound recommendations for present and future developments. This audit report should be of value to the management, to the workers, to the community, and especially to the personnel officers, for the establishment of sound personnel relations and for the improvements of old ones.

Checking the personnel relations of a plant in a corporation by comparison of the results of the activities of departments concerned at regular periods has been found to be a good practice. One corporation checks the personnel work being carried out in its different plants by a report for October and April each year of the personnel relations activities and their results, as shown in Appendix B. By this means certain progress or decline can be shown. At least, such a record can point to certain conditions which should receive attention. One large glass company keeps a regular running monthly check on such matters, as well as personnel costs of employment and other activities.

A personnel relations audit is important, just as audits of financial affairs are important. If personnel relations are improved, the company's financial progress may be improved as well as its human progress.

Personnel Relations Research

Personnel relations research is the application of scientific methods to personnel relations problems, for the purpose of improving management procedure and employee effectiveness and happiness. The subject of personnel relations research is comparatively new, and its related research

has not progressed very far. A large number of interesting and valuable problems offer themselves for solution. Just as research is essential to industrial progress and the advancement of science, so is research indispensable to the field of industrial personnel relations. Along this line there is urgent need for the establishment of real facts on which to base decisions. The only way to secure such data is through research. We need as much research and development in this field as has been conducted in the field of chemistry and the other physical sciences, if not more.

Personnel relations research should include research in all of the company's branches of this work. These activities should be backed up by sufficient investigation¹ to show their worth, validity, and reliability, and evaluated to the extent that the management can see their profitability. Old methods should be analyzed and improved so that existing conditions can be made as efficient as possible.

The most outstanding personnel relations research was that of the Western Electric Company and Harvard University. In these studies, first presented at the annual conference of the Personnel Research Federation in November, 1929, Mr. Putnam stated that the objective was to answer such questions as: "Do employees actually get tired out? Are rest periods desirable? Is a shorter working day desirable? What is the attitude of the employees toward their work and toward the company? What is the effect of changing the type of working equipment? Why does production fall off in the afternoon?"

Six experienced operators were selected at random and were placed on a standard assembly job under various changing conditions. The following salient facts were established: the amount of sleep has a slight but significant effect upon individual performances; a distinct relationship was apparent between the emotional status or home conditions of the girls and their performance; total daily productivity was increased by rest periods and not decreased; outside influences tended to create either a buoyant or a depressed spirit, which was reflected in production; the mental attitude of the operator toward the supervisor and toward working and home conditions was found to be the biggest single factor governing the employee's efficiency.

Another experiment in the Western Electric Company's personnel research was an inquiry into the attitude of employees concerning the things that they liked or disliked about their jobs, working conditions, and supervision. The results were analyzed and classified, the causes of unfavorable remarks adjusted, and the opinions were used as a basis for the training of supervisors.

¹ See American Management Association, *Progress in Personnel Research* (Personnel Series No. 80, New York, 1944) for progress in personnel research.

This outstanding research by Western Electric Company and Harvard University continued for many years and brought forth excellent results, which have been reported by Elton Mayo,² North Whitehead,³ F. J. Roethlisberger and William J. Dickson,⁴ and others. Every person interested in personnel and industrial relations, especially research in this subject, should read and study these significant contributions.

One corporation determined just what the company did along the various personnel lines, how much was being done in each activity, what it cost per man and by percentage of the payroll, and the value or yield in each activity as determined by the measurement of feelings and attitudes.

There are many well-established methods of carrying on research. Many companies find it expedient to employ an outside expert in personnel research for the work. A number of commercial research organizations and agencies exist for this purpose. Another effective plan is to cooperate with the educational institutions. Universities have trained personnel men who have made extensive and intensive studies of personnel relations problems. Many educational institutions are already carrying out investigations on the human problems of industry. Princeton University, University of Michigan, Purdue University, Stanford University, Harvard University, Yale University, Massachusetts Institute of Technology, etc., are some of the schools conducting research on industry's human problems. Some industrial companies have found that cooperation with universities is a very effective means of carrying on their research. Combinations of the various methods can be used, but it must be emphasized that any and all personnel work should be evaluated.

Personnel Records

Consideration of Essential Records.—Sufficient records to carry on adequately the employment, health, training, safety, and service divisions of the personnel relations department are essential in obtaining and maintaining an effective force of workers. Either too few or too many personnel records may be disastrous. The company that does not keep enough data with which to manage its force efficiently will not keep pace with modern practice and competing plants in profits and production. It should be borne in mind, however, that records are personnel tools and not ends. They are a means of controlling personnel relations. The company

² *Human Problems of an Industrial Civilization*, New York, The Macmillan Co., 1933. Also see Elton Mayo, "Research in Human Relations," *Personnel*, May, 1941, p. 264.

³ *The Industrial Worker*, Cambridge, Harvard University Press, 2 vols., 1938.

⁴ *Management and the Worker*, Cambridge, Harvard University Press, 1940.

with more records than it needs is wasting time and money. Too much red tape should be avoided, and too numerous records are cumbersome and cause a waste of time in getting at the real material.

In considering the personnel records which are essential, the following points should be weighed: the size of the organization (number of employees), the type of organization, the nature of the work involved, the kind of business carried on, the activities of the personnel relations department, and the information desired and actually used.

Naturally, the record system will vary with the character and size of the companies. The large company will need more extensive records. But it should be emphasized that in the small company there is just as much need to keep adequate personnel records as in the larger one. In some small companies it has been found effective and useful to maintain for every employee a personnel record on a small card which shows information about his employment, training, health, safety, and service experience. If the work of a company is mainly unskilled, the need for extensive records is not so great as where there are skilled workers. The replacement of unskilled workers is not difficult, and records of their past experience are less essential. If the small company is a subsidiary of a corporation, in order to link up with the big concern, additional records are more necessary than would be normally required. If activities are more or less technical, and if the company has rather extensive personnel activities, such as thorough medical examinations, and benefit and service work, additional personnel records may be needed. Table 9 presents a list of essential records for a large company.

Knox⁵ has outlined the personnel records he considers essential for small, medium-sized, and large companies.

The typical worker will produce more when he has a knowledge of the results accomplished than he will without that knowledge.⁶ Therefore, one of the basic principles in maintaining the morale is the maintenance of personnel records for each employee. If the employee knows that a record is being kept of his work, he will usually work harder to make that record good than to permit anything bad to go on it. Social security, unemployment insurance, and workman's compensation are compelling employers to keep more accurate records than a decade ago. Companies keep a record of their money matters absolutely accurate. In the future accurate records of employees may be just as important. The growing need for records at the same time emphasizes the need for simplification.

⁵ Frank M. Knox, "A Guide to Personnel Record Keeping," *Personnel*, November, 1942, p. 242.

⁶ See Joseph Tiffin, *Industrial Psychology*, New York, Prentice-Hall, Inc., 1942, p. 210, etc.; also J. G. Jenkins, *Psychology in Business and Industry*, New York, John Wiley & Sons, Inc., 1933, pp. 234-236.

TABLE 9. ESSENTIAL PERSONNEL RECORDS

-
-
- 1 and 2. Employment and Personnel Maintenance Records
 - (A) Individual
 - (1) Personnel information blank
 - (2) Application and employment agreement
 - (3) Personnel record
 - (4) Periodical report
 - (a) Production, rates of pay, etc.
 - (b) Personnel ratings
 - (c) Attendance, etc.
 - (Other personnel maintenance records are given under chapters on the particular subjects, such as Job Evaluation.)
 - (B) Group
 - (5) Employment report
 - (C) Other employment records
 - (6) Requisition and employment slip
 3. Health Records
 - (A) Individual
 - (7) Physical examination and medical record
 - (B) Group
 - (8) Illness report
 - (C) Other health records
 4. Safety Records
 - (A) Individual
 - (9) Accident report
 - (B) Group
 - (10) Accident record
 - (11) Accident summary
 - (C) Other safety records
 5. Training Records
 - (A) Individual
 - (12) Training records
 - (B) Group
 - (13) Training report
 - (C) Other training records
 6. Records of the Employees Service Work
 - (A) Individual
 - (14) *Benefit application and record, profit-sharing, insurance, or pension records*
 - (B) Group personnel service reports
 - (C) Other service records
 7. Labor Relations Records
 - (A) Individual
 - (15) Grievance Report
 - (B) Group
 - (16) Grievances Report
 8. Governmental Reports
-

Application Blank and Personnel Record.—It is a common and wise procedure to require an application blank from every employee, upon which he gives personnel information concerning himself and upon which any falsification can result in immediate dismissal. Upon acceptance of the application blank for employment, social security and unemployment insurance information is a first requisite. Space for recording subsequent changes in employment and records of periodic ratings is essential. Finally, separations from the company should be recorded, with the possibilities of being rehired. All these data are needed from the time of application until the employee leaves the company.

With this in view, the author worked out for a group of thirty-five companies a simplified personnel record which would combine into one record the application blank, social security, unemployment insurance, and the other personnel information. This resulted in the personnel record shown in Figure 49a and b.

The face of this record (Figure 49a) is an application blank which the employee fills in. This contains the personnel and personal history information, the names of his last two employers, the condition of his health with the name of his doctor, his education, and other material. To the right of the names of employers, education, and health data are small squares which the employer can check after he has investigated the record of the employee on those subjects. A company can verify the truth of the statements given and the caliber of the work performed with but little expense. In one city an employee was hired and fired by eight companies one year, whereas a call upon the previous employer by any of the last six employers would have prevented that waste of time and effort on the part of the companies to employ and train that employee over and over again. Calls by telephone or personally to previous employers, schools, or doctors may save the company from employing an inefficient or unhealthy employee.

The reverse side of the blank (Figure 49b) contains the information about the employee when and after he is hired. Subsequent changes in employment are placed in the center, as are periodic ratings of the employee. At the bottom of the reverse side is the employee's tax or unemployment insurance status plus dismissal and rehiring information.

This record exemplifies that personnel records can be simplified by combining on the application blank, the information required for social security and unemployment insurance, the continuous personnel record as well as that concerning discharge and rehiring.

Many companies have simplified their procedures for the financial accounting of their money. Likewise, the time is ripe for a simplification of personnel accounting procedures, at a decrease in expense to the com-

EMPLOYEE'S PERSONNEL RECORD

Name _____ Company Employee Clock Number _____
 "Social Security Number or Date of Application for it" _____

Name _____ Last Name _____
 Employee's First Name _____ Middle Name _____
 Married Women: Give maiden first name, maiden last name, and husband's last name _____

Date and Place of Birth _____ Place of Birth _____
 Address _____ State _____
 Street and No. _____ Post Office _____ Phone No. _____
 Street and No. _____ Post Office _____ Phone No. _____

Sex: Male _____ Color: White _____ Negro _____ Religion _____
 Check X which _____ Check X which _____
 Married _____ Single _____ Dependents: Give names, ages, relationship _____

Parents full names: Father _____ Mother _____
 Last two employers: _____

☐ Name of Firm _____ Kind of Work _____ Date started and left _____ Reason for leaving _____
☐ Name of Firm _____ Kind of Work _____ Date started and left _____ Reason for leaving _____

Notify in case of accident: _____

NAME AND ADDRESS _____ RELATIONSHIP TO EMPLOYEE _____ TELEPHONE NO. _____

Are you in debt? _____ Amount \$ _____ What Life Insurance \$ _____
 Education: Highest Grade Completed _____ Name and Address of School _____
 Condition or health of employee: _____
 When last treated by a doctor _____ For What _____ Telephone _____
 Doctor's name and Address _____
 Any sickness in employee's family? _____ What _____
 Do you have any relatives employed in this Company? _____ Who _____ Permanent? _____
 Temporary? _____

Signature of Applicant _____ Date _____ 19 _____

Figure 49a. Employee Personnel Record (face). This side of the record is used as an application blank.

pany as well as to encourage the employee to greater achievement. Most good workers seem to want to know that what they do accomplish is known and is made a matter of record. We want more good employees, and they will, as a rule, have a better attitude toward higher accomplishment. This warrants the maintenance of a personnel record for each employee, which naturally involves some cost to the company. Therefore, a simplified or combined record may prove to be the most economical.

Where considerable sorting and selection is made from records, some companies combine their personnel records with a sorting system, such as shown in Figure 50, which is used by the Eli Lilly Company of Indianapolis, and Figure 51, an I.B.M. card used by Caterpillar Tractor Co.

The contents of the various types of personnel records can be explained by consulting reproductions of some of the recommended forms. Some samples of such forms have been reproduced previously for reference.⁷ It must also be emphasized that, as the factors determining the extent and size of personnel records vary, so must the records of a particular company be modified in order to meet the needs of that company.

Routine and Use of Personnel Records.—A somewhat typical procedure starts when the prospective applicant presents himself at the employment office for consideration. He is asked to fill in an application blank. When this is done, he meets the interviewer, who verifies the information and possibly gives the applicant an employment test for the work. If the applicant impresses the interviewer as being a good man, and if he passes the employment tests, his references are investigated. In the meantime the applicant is asked to return at some future hour or day.

If the references report favorably, the interviewer looks over his requisitions for employees, and if a job is available which fits the applicant's qualifications, he sends him to the medical department for an examination, the results of which are recorded on the physical examination record. His medical record is then started. If he qualifies physically, he returns to the employment department. The applicant and the interviewer then complete the application and employment agreement. The employment department next fills out the employment slip and sends the employee with one copy of it to the foreman or head of the department which made the requisition. The foreman usually starts the slip in triplicate, keeps one copy, sends two to the employment department, which in turn keeps one copy and returns one to the foreman who, when the employee has reported for work, sends it to the payroll department.

⁷ See chapter on Records in author's *Applied Personnel Administration*, New York John Wiley & Sons, Inc., 1931.

As soon as the employee has reported for work, the personnel department makes out a personnel record for him, and files it in its proper place. The personnel record contains the record of each individual employee, and a general record of the things that might affect the work of that employee.

After the employee has been on the job for about three months (in many plants, six months), the personnel department fills in his name on a progress report or rating scale (similar to those given in the chapter on Personnel Ratings), and sends it to the foreman or department head of the employee for a rating. As soon as the rating is returned to the personnel department, it is transferred to the employee's personnel record. This gives the personnel office a constant check on the production, personality, and attendance of the worker. Subsequent promotions, raises, and transfers to various jobs in the same department, and other relevant information reported by the foreman and other supervisors, are recorded on the employee's personnel record.

Periodically (daily in large industrial companies), the employment department makes a report on the status of the employment and the condition of the force. Likewise, periodically the medical section of the personnel department makes a report on the health of the employees. Should an accident occur in the plant, the safety engineer or officer, who usually reports to the director of personnel, makes a complete accident report. This gives a detailed history of the accident and its subsequent relations to the worker and to the company. Workmen's compensation laws, in force in practically all states, usually provide for a definite form of report, on which are recorded the details of the accident and the rate of compensation to be paid to the employee. After the accident report is completed in quadruplicate, a carbon copy is retained in the safety office, the original and one copy are sent to the proper industrial board or agency, and another copy is sent to the officers of the company. An accident record is made out for the man receiving the injury. If subsequent accidents occur to the same man, it may be necessary to drop him. Thus, the accident record may prevent keeping on the payroll a man who is unsafe both for himself and for the company. Periodically the safety department issues an accident summary. This is usually given out once each week, but in some companies, only once each month, its purpose being to keep the management informed as to the safety of the working force.

On the training record, usually just a part of the main personnel record, are kept the ratings and the grades received by the person taking training courses. The training report, which is a composite of training records, is intended to give the personnel director and the officers of the company a concise survey showing the results of the activities in the training department. Copies of this are made out and are sent to various

executives including the director of personnel, one copy remaining in the training office. Other training records are used by this department, such as registration cards for the courses and grade reports on the students from those in charge of the work.

Personnel service records vary with the activities of the companies, as do the personnel services for employees. If a company has a benefit association, the employee is asked to fill out a benefit application and record. If it has a profit-sharing plan, he fills out a profit-sharing form. Insurance and pension records are kept in a like manner, and usually conform to those used by insurance companies in maintaining the insurance and the pension plans. If the pension plan is under the supervision of an insurance company, the forms are usually obtained from that company.

The personnel service report, usually in letter form, is a statement of the activities of the personnel service department and of the results obtained by that division. This report includes, in addition to the status of the service plans, the results of the savings plan of the company, as well as information concerning the publishing of the plant paper, insurance, etc.

In all of the foregoing discussion, little has been said about many of the records used by various divisions of the personnel department. There are always a number of incidental forms, such as transfer and promotion slips, which are necessary. They are of such a nature that they can be made out very easily, and for that reason are not given in this discussion.

Responsibility for making and keeping records lies mainly with the company through the personnel department. More than 90% of this responsibility rests with the company, which must stand the burden and the loss if the records are not properly used.

Past experience with personnel records shows that the trend is toward centralization and the cumulative individual record. If personnel records are not centralized and put under definite responsibility for maintenance, they will probably fall short of usefulness. If record-keeping is maintained as an "extra" job, it will often be done half-heartedly, and the records will not be kept up to date. Of course, in a small company, record-keeping may have to be combined with other duties, but the responsibility should be accepted and placed definitely, and time should be allowed for it. If an employee knows that recognition for good work and extra effort will be recorded, it often provides him with an incentive.

Centralization of records results in a clearing house for personnel information. The foreman, the doctor, the safety director, and many others may each have important information about an employee, but unless this material is centrally available, the employee may be considered from only

one point of view. When the management considers an employee on any issue, pertinent information from all sources should be readily accessible.

Another important point is that an employer should know his status with respect to his individual development, present status, improvement, and prospect for future growth. The cumulative record which furnishes a continuous story of an employee from the earliest possible time to the present is an effective indicator, and by consulting it, the employer can plan more definitely the development of the employees.

The record system should, by all means, be used sufficiently to warrant its maintenance. Moreover, responsibility for the preparation of the summarized information should rest with the person in charge. Rules about the use of and access to such records are also necessary. At the outset, companies should make sure that additions to the records and record system can be readily made, that the upkeep is at its minimum and not out of proportion to the use, and above all that the records are being used.

Many methods of keeping records and numerous kinds of record cards are in use. The vertical filing system, in which cards, folders, and envelopes are filed vertically, seems to be the most general practice. The use of visible systems has been increased in recent years. The records are so arranged that pertinent information is readily visible without removing the forms from the file. Where excessive tabulation and sorting of information is done, special systems, such as the Findex, the Hollerith, the Powers, and the McBee-Keysort systems, have been found very valuable. But first and last, the cost of the records should be commensurate with their need and use.

CHAPTER 10

PERSONNEL TRAINING AND EDUCATION

Adequate training is the desire of most employees. It is known in industry that the better trained the employee is, the more efficient his work and the better his product will probably be. Corporations realizing this fact have established and are establishing training and educational programs. Training may be divided into that within the organization and without. Training actually done by the company consists of training the new employee to do his job and old employees how to assume better jobs or perform their old jobs more efficiently. Training and education outside the company are accomplished by educational institutions such as public schools, trade schools, business colleges, night schools, and universities. Training and education of employees, foremen, and supervisors within the organization have been popular with corporations for many years as they are related directly or indirectly to the production of the company. Outside training and education, as are given through public schools, are broader, more theoretical, and more basic.

A complete training and educational program for a company involves (1) training, (2) educational activities, and (3) cooperation with schools, colleges, and governmental organizations. These functions are usually a part of the personnel relations department of a company. In a large company the training and educational functions are typically organized under a director of training and education, as shown in the chart (Figure 52). In a small company the personnel relations manager often handles training as a part of his duties or an official of the company does it in conjunction with other functions. Dodd and Rice¹ have given a good chart of the training organization and procedure of the Carnegie-Illinois Steel Corporation.

Training

The employment department in its introductory interview tells the prospective employee about the job, the company, its history, and its standing policies. This constitutes his first training within the company

¹ A. E. Dodd and J. O. Rice, *How to Train Workers for War Industries*, New York, Harper & Bros., 1942, p. 240.

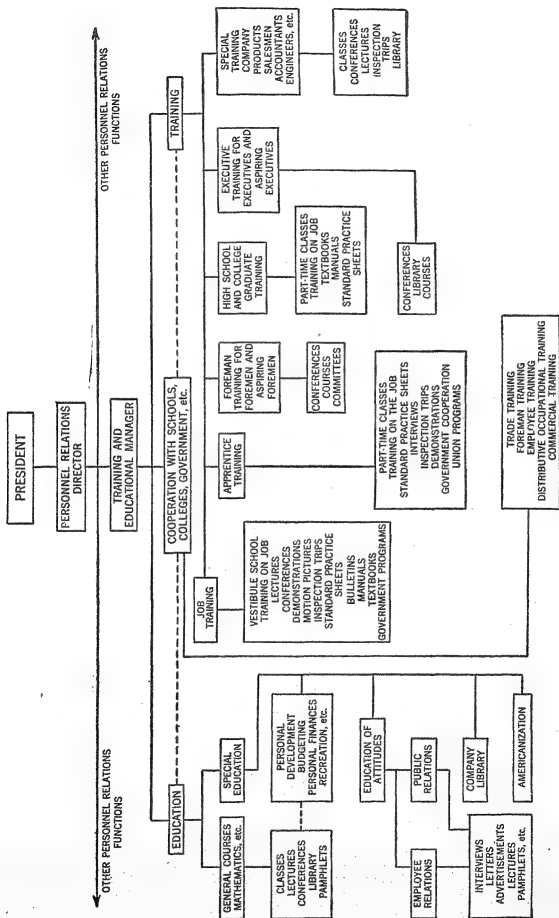


Figure 52. Chart of Educational and Training Functions

from job analyses, employee handbooks, safety rule books, and other similar sources. The employee handbook usually contains a brief history of the company, a list of officers, and information about working hours, vacations, first-aid stations, company insurance or benefits, saving plans, and rules and regulations. After this preliminary information is given to the applicant, the real training procedure begins.

The most common types of training are:

1. Job training
2. Apprentice training
3. Foreman training
4. Executive and special training (as salesmen, accountants, engineers, etc.)

Job Training.—Every company has the responsibility of training its employees on the job; of instructing the new worker how to do his job. The new employee cannot be expected to know how to do a particular job, even though he may have had experience in another company. One company may not do the job just as the other company did. Years ago when an employee came to a company for a job, he usually knew his trade completely and was even required to own and supply his tools. Today most companies furnish everything connected with the job as well as instruct the workers how to do their jobs. More and more managements are assuming the responsibility of knowing how jobs should be done and teaching the employees how to do them.

Some of the most important reasons for job training are: (1) to increase the quality of the product, (2) to break in new men, (3) to decrease spoilage, (4) to increase production, and (5) to decrease accidents.²

Greenly has proved the value of training, Figure 53, by showing the decrease in minutes required for shear knife change because of training and the large amount made or saved by that training.

Many methods are used for administering job training. The most prevalent is training on the job by foremen, experienced workers, and special instructors. The vestibule school, which was introduced during World War I, is still found. Written instructions and meetings are used as supplementary job training and take the form of letters, textbooks, manuals, bulletins, newspapers, magazines, and standard practice instructions. Meetings take the form of lectures, conferences, demonstrations, clinics, motion pictures and inspection trips.

² "Job Training in Industry," *Employment Service News*, 1938. Also, Cecil E. Goode, *A Survey of Job Training Programs in Industry* (unpublished thesis), Purdue University, 1938.

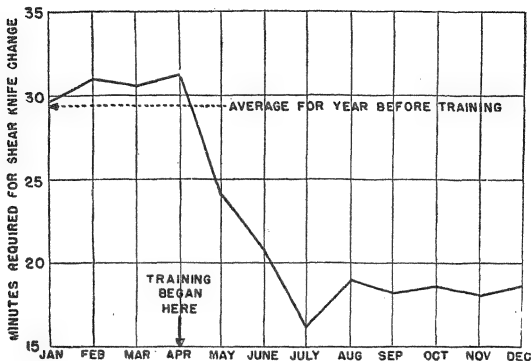


Figure 53. Chart Showing Saving in Time by Training.

This graph illustrates the time reduction in changing shear knives by training for care of knives, get ready organization, how to set up knives, how to adjust knives, and necessity of coordination of crew efforts. Results: 12 minutes saved \times minutes labor cost \times average number of changes = \$1,740 per month or \$20,880 per year.

(R. J. Greenly, "Job Training," *N.A.M. Labor Relations Bulletin*, January, 1941, p. 7.)

One of the excellent job-training programs was the Job Instructor Training Program of the Training Within Industry branch of the War Manpower Commission in World War II. After much study and preparation, streamlined methods of training a worker for his job were worked out. The steps are:^a

HOW TO GET READY TO INSTRUCT

To instruct a new worker or an experienced one on a job—

Have a Plan

How much skill you expect him to have, and how soon.

Analyze the Job

List principal steps.

Pick out the key points.

Have Everything Ready

The right tools, equipment, and materials.

Have the Work Place Properly Arranged

Just as the worker will be expected to keep it.

^a Job Instructor Training Program, War Manpower Commission, 1942.

HOW TO INSTRUCT

Step 1—*Prepare*

Put him at ease.

Find out what he already knows about the job.

Get him interested and anxious to learn the job.

Step 2—*Present*

Tell, Show, Illustrate, and Question carefully and patiently.

Stress key points.

Instruct clearly and completely, taking up one point at a time

—but no more than he can master.

Check, question, and repeat.

Step 3—*Perform*

Test him by having him perform the job.

Have him TELL and SHOW you; have him explain key points.

Ask questions beginning with Why, How, Who, What, When, or Where.

Observe performance and correct errors. Repeat instructions if necessary.

Step 4—*Follow Up*

Put him on his own.

Check frequently to be sure he follows instructions. Encourage questions.

Get him to look for key points as he progresses.

Taper off extra coaching and close follow-up until he is qualified to work with normal supervision.

IF THE WORKER HASN'T LEARNED, THE INSTRUCTOR HASN'T TAUGHT.

These steps, used in instructing job instructors, were demonstrated by means of tying the fire underwriter's knot, as explained in *Job Instructor Training*.⁴ The demonstrator first told the prospective job instructor how to tie the knot. By telling, alone, it could not be learned. Then, he showed him, and again he did not learn it by the showing alone. Finally, the demonstrator went through the steps, as outlined, and the prospective job instructor learned how to tie the knot. Then, the prospective instructor was asked to take a job in his department or plant and teach it by those steps. When he proved to the demonstrator that he could teach a job by those steps, he was given a job instructor certificate and was asked to teach others to be job instructors. This method helped prepare many thousands of job instructors during World War II. Training Within Industry also included Job Relations Training and Job Methods Training Programs similar to Job Instructor Training.

⁴ *Training Sessions Outline and Reference Material*, Training Within Industry, Labor Division, War Production Board, Washington, D. C., 1942, pp. 38-39.

Another good method of training, which has been set up in many companies, is the vestibule school. These schools usually give training in skilled work where failure of performance may bring about large waste and damage to the machine. This training is usually carried out in a separate room, or vestibule, in a department or plant. In some cases this instruction is given on the machine or in the department where the work is actually to be done. In the vestibule school, it may be given either by a special instructor or by the foreman, usually the former. In all this training, thoroughness to the last degree is important, a characteristic that is often directly related to the turnover of the particular job.

Apprentice Training.—Apprentice training provides extended training in trades that require a greater degree of skill than is required for most manual work in industry. Apprentices are usually young persons, sometimes still in public schools. Sometimes part of their time is spent upon the job, for which they are paid, and part of their time is spent in classes, either in public schools or in the plant. The training period usually extends over several years. Apprentices are given aid in mastering their jobs by means of interviews, standard practice sheets, inspection trips, and demonstrations in addition to part-time classes and training on the job.

There are some jobs in an industrial plant that cannot be learned effectively through the regular job-training program. These jobs or occupations must be learned over an extended period of time, often aside from the regular production process. The apprentice program takes care of such trades. The need for apprentice training has been felt more since immigration virtually ceased, thus decreasing the relatively skilled labor supply.

The apprentice programs of the Carnegie-Illinois Steel Corporation of the United States Steel Company is an example of such training.⁵

Labor unions have also developed and established standards of apprenticeship. The International Association of Machinists⁶—one of the old, responsible unions—and representative employers of St. Louis and vicinity have jointly developed standards of apprenticeship. These standards were approved by the Federal Committee on Apprenticeship of the United States Department of Labor. This committee of the Department of Labor registers, approves, assists with, and promotes apprenticeship in this country. Those interested in starting an apprentice program of this nature can receive help from this committee.

⁵ Carnegie-Illinois Steel Corporation, *Apprentice Training*, Pittsburgh, November, 1936.

⁶ *Machinist Apprenticeship Standards*, jointly developed by representative employers and the International Association of Machinists, District No. 9, St. Louis, 1941.

Foreman Training.—An important problem is to maintain the personnel from whom to choose men to take the place of foremen who are promoted, transferred, or leave the company. Because foremen are key representatives of management and because the success of the foremen's departments rests largely with them, the training of foremen has been recognized as a necessity by the leading progressive companies of today. Most companies do not go outside their organization for new foremen. Many maintain a supply through training subforemen, bosses, and general employees. Company contact with high schools is a means of obtaining foreman material. Some of the larger companies have a regular policy of taking grammar school graduates for skilled workmen, bosses, and subforemen; high school graduates for foremen and supervisors; and college graduates for engineers, accountants, and other executives. Education and industrial management were working somewhat closely together just before World War II. The program for training employees to be foremen is often carried out in a definite set course. It often ranges in some companies from four months, one hour a week; to two years, two hours each week. The men to be trained are selected by the executives in charge of employees, with the aid of the personnel and training departments. The subjects taught may include the scope of the work, elimination of waste, history and development of the particular company and department, personal efficiency, first aid, working conditions, and many others.

If a company employs high school graduates for prospective foremen, the training problem is different from that of preparing for the subforemen, who may have had little or no formal schooling, or even from that of training the foremen with the idea of encouraging them to be more efficient in their work. A training course for high school graduates also involves practical training in the work of the department. In many companies these graduates are assigned to various jobs and divisions of work in the department until they know something about every phase of the work. Often they are assigned to only one job, are taught how to do it efficiently, are then promoted to the next higher job, and so on to the foremanship. This training is concerned, for the most part, with job instruction and training in a particular kind of work. Training the foreman in the duties of his job and of that just ahead of him is a delicate and difficult task, because the purposes of the training cannot always be made evident. If a man takes the foreman training course and is told that he is being trained for a better position, he may expect to be promoted upon the completion of the course, and difficulties may arise if he is not.

The methods used in regular foreman training include conferences—the conference method—discussion groups, foremanship courses, lectures,

and books of instructions and facts especially written for this purpose. The conference and discussion groups are the principal methods used today. They are usually scheduled once every two weeks at a regular time with a definite subject of discussion planned in advance. Generally, an especially trained leader,⁷ often one of the officials of the company, is selected by the training department to start and lead the discussion on an assigned subject. Then the foremen discuss favorable and unfavorable experiences bearing on the subject under consideration. The president of the company sometimes gives the first talk, and in turn the other officers of the company follow, until the foremen are well acquainted with all the officers. Interest is kept up and attendance maintained in this way. Care should be taken to make the foremen feel that they are not being "lectured," but that they are attending a conference in which they are a definite part and that their experience is important in making a real contribution to the discussion.

Usually the more the foremen participate, the better will be the results to the foremen and to the company. An excellent example of good foremen participation is that of Congoleum-Nairn Incorporated. This company asked its foremen to come together to discuss the objectives of foremen or supervisory training and to draw up a statement of objectives, definitions, and results. The following policy resulted:

THE CONGOLEUM-NAIRN INC. POLICY OF SUPERVISORY TRAINING

I—Objective

The objective of our supervisory training program is to develop managerial ability, not only in high ranking supervisors but in all ranks including the so-called "straw boss," by cultivating qualities of leadership, self-reliance and sound judgment in the direction of men, the operation of machines, and control of materials.

II—Definition

The foundation of our supervisory training policy is, successively from top to bottom, setting an example in delegating responsibility for results to all members of the line supervisory organization. New operating and supervisory techniques from various sources are made available, and are developed, accepted or rejected, after actual trial by line organization supervisors. Those accepted are developed to a point of practical application and are employed in a continuous systematic manner.

⁷See *Report of Training Conference for Training Conference Leaders*, Detroit Edison Company, Detroit, Michigan.

III—Results

This training policy has resulted in the development of supervisors who are successful in improving human relations and capable of effectively controlling the numerous factors which influence quality, cost, production and waste following well-defined line organization procedure.

In this company the foremen make special studies of assigned subjects and report on them in the conferences. All are asked to take part in discussing the subject and add their experience. The subject is written up and mimeographed for all foremen.

Some companies take special subjects and have intensive courses on those subjects. Servel, Incorporated had a series of foremen conferences on industrial economics with the following subjects:

INDUSTRIAL ECONOMICS SERIES OF FOREMEN CONFERENCES SERVEL, INC., 1938-1939

1. The Relationship of Management, the Employee, the Stockholder, the Customer, and the Government

Management and the Customer

2. Customers and Sales Promotion
3. Research as Related to Sales
4. Price and the Customer
5. Profit and Surplus

Management and the Stockholder

6. Capital—the Means of Setting Up the Job
7. Dividend—Rental Paid for the Use of Money

Management and the Government

8. Government Services—a Necessity to Industrial Enterprise
9. Taxes—Payment for the Services of Government

Management and the Employee

10. The Employee's Services in Industrial Enterprise
11. The Employee's Wage—His Return from the Enterprise

Management

12. Management—What It Is and What It Does

Today, highly organized companies have production and industrial engineering departments to lay out and schedule production, and to set rates: methods departments to establish the methods of doing the work; engineering departments to take care of the machinery for doing the work; and other specialized departments; so the foreman has left as his principal job that of managing his men. Therefore, in recent years many companies have centered their foreman conferences on the subjects of handling men. Below is such a course used in a number of companies:

FOREMEN CONFERENCES

1. Personnel Relations Policies
 - (a) Employee Handbook
 - (b) Labor Contracts
 - (c) Labor Laws—National Labor Relations Act and Wage and Hour Bill
2. Job Descriptions
3. Judging Employees—Merit Rating
4. Organization of Employees—Preparing Organization Chart and Planning the Work
5. Selection, Transfers, Promotions, and Layoff—Interviewing by Comparisons
6. Dealing with People—
 - (a) Getting the Reason Why of Human Behavior
 - (b) Individual Difference, Environment and Heredity, Human Assets and Liabilities, Wants, etc.
 - (c) Emotions and Their Uses
 - (d) Assistance on Personal Difficulties, such as Financial, Loans, Thrift, etc.
 - (e) How to Interview Employees
7. Morale—Finding It and Doing Something About It.
8. Handling Grievances and Suggestions
 - (a) Use of Praise and Blame
9. Training Employees
10. Safety from the Employees' Viewpoint
11. Business Conditions of the Company
12. Industrial Economics

In many small companies, especially in the Middle West, the foreman is still "master of all he surveys," even to the selection of his employees. The following outline of the foreman's personnel job ⁸ has been followed in a number of plants:

1. Work up job descriptions, then write job specifications.
2. Develop a sound organization and make a clear chart of it.
3. Employ best operators by developing good sources of supply.
4. Interview applicants, and base selections on facts about them.
5. Train employees on the job and provide capable understudies.
6. Work up a good self-training program in foreman management.
7. Keep records, rate employees, and discuss progress with them.
8. Provide systematic plans for both promotions and layoffs.
9. Give employees a written separation record when they leave.

⁸ See the special section "The Foreman's Personnel Job," by the author, in *Factory Management and Maintenance*, June 1939, p. 69, etc., for discussion of these subjects.

10. Encourage new ideas and develop an employee suggestion plan.
11. Consider individual differences and prevent worker grievances.
12. Help those in his department to stay healthy and keep safe.

Although the conference method entails considerable discussion, the discussion groups of a training program usually contain a smaller number of foremen who meet regularly and are led by one of the foremen. They discuss their own departmental problems as well as those of the company. The training department or manager usually sees to it that the leader has a good subject and adequate information about it. Such a group discussion plan works well even in large factories, where a large number of foremen may be divided into smaller groups according to departments or subjects to be discussed. An occasional talk by an officer of the company or by the director of training has been found helpful. Little or no formal study may be required in the discussion groups other than that furnished by the leader.

Foremanship training courses usually require study of a textbook and written work as part of the course. The training director or one of his assistants is usually the instructor. Regular work can be assigned and credit or recognition given for successful completion. One company gave a well-worked-out foremanship training course, using *Personal Leadership in Industry* by Chartres and Craig as the textbook.⁹ Subjects especially selected were given by the training director, by his assistant, or by an official of the company.

Lectures are a broadening feature of programs in foreman training. Outside speakers are brought in to talk on subjects of special interest and on topics similar to those outlined under foremanship training courses. Extension departments of schools and universities can be relied upon to furnish some of these lecturers. One company asked its foremen to select the most outstanding speakers in this country on the subjects desired, and then proceeded to secure them for an excellent foremen's program.

A book of instructions and facts for foremen is also an effective method of training foremen. It is usually a booklet printed by the company with articles on the following subjects: employment, absenteeism, company insurance, company insignia, medical service, workmen's compensation, housing, training, safety, time and timekeeping, employee service, savings, employee clubs, sales of stock to employees, recreation, etc.

In recent years foremen's letters have been used in some companies to give to foremen weekly, biweekly, or monthly current facts about the

⁹ Other texts for this purpose are: A. L. Kress' *Fundamentals of Foremanship*, and J. E. Walters' *Modern Management*, John Wiley & Sons, Inc.

company and the problems of the foremen. The American Rolling Mill has found this very worth while. In one division of Revere Copper and Brass Incorporated 171 foremen were asked how they wished to have the information they desired presented to them; letters to foremen were the choices of 70%. In general, a good way to find out what foremen want and need is to ask them. The Young Radiator Company of Racine, Wisconsin, also has found letters to be a good means of transmitting information to foremen.

Executive Training.—As old rule-of-thumb methods are gradually disappearing from industry, the "hard-boiled" executive who had but little culture and education is being replaced by the man with leadership and intelligence. The new executive is often cultured and usually leads his men instead of driving them. An additional means of teaching such leadership is by executive training. The responsibility for this training can be placed on the training department, if the company is large enough to have one, or on the company officers in a smaller organization.

The more general and cultural subjects are often given, as these men usually already know the practical side of the business. The employment and handling of men, trade knowledge, how to teach and lead others, knowledge of the company and its policies, public speaking, economics, design, and research are all subjects which can be considered. Of course, much of this is self-training by the officers themselves, usually not done on company time. Some companies rotate their executives in different executive positions as a means of training.

Some of the larger manufacturing concerns maintain night schools for executive training. These are often taught by the chief officers of the company, and sometimes by professors from nearby colleges and other schools. Then, too, a regular four-year course is given by a few companies to exceptional men chosen by the training department or by the particular department in which they are working. An example of such a course is the four years' industrial course in Commercial Engineering of the Westinghouse Electric & Manufacturing Company.

A great number of executives in established industries are college graduates who have gone through company training and, by much routine and hard work, have reached executive positions. Many industries are realizing that many of the future executives may be college men, and therefore have organized plans for recruiting and training university graduates, and go periodically to the technical and arts colleges and universities for their executive material. The training of these men usually takes the form of a college apprentice course or a student course, which customarily lasts about a year, but in various companies it may range

from four months to three years. Young men of exceptional ability and intelligence already with the company usually are also admitted.

College graduate training courses¹⁰ usually shift the men from one department to another until the entire company has been studied. Intensive instruction in each department is given from both the practical and theoretical standpoints. Lectures by company officials and outside experts; executive conferences; committees of executives to handle special problems, inspection trips to other companies, museums, trade exhibits, and society meetings, dinners and clubs; and correspondence courses aid in this educational procedure.

These courses for college graduates have proved satisfactory when they have been well thought out, and when the graduates have been placed in work for which they are best fitted and in which they can use and take advantage of their college training. The final job assignment is made according to each graduate's interests and achievements in the training program. Courses that have been made competitive with incentives based on effort have been most effective. A raise in salary is given to those men who received high grades on both their apprentice study and work. The training program for college graduates and selected employees in Revere Copper and Brass Incorporated is an example of such a course.¹¹

Rapid advancement is sometimes given to those who complete the course, as those selected employees have often been found to be broader thinkers, quicker to grasp new situations, and more intelligent leaders. Poor results with college graduates are sometimes caused by the fact that companies keep them on routine work too long, or on work in which they cannot make proper use of the training which they have received in college.

Education in Industry

Cultural and theoretical education is provided by schools and colleges, but practical education is left largely to industry. As the character of our national life is industrial, this practical education becomes more and more important, and its effect on our theoretical educational programs becomes accentuated. In the case of this practical education, the theory of specific-

¹⁰ The following companies have had experience with organized training programs for college graduates: American Rolling Mill Company, General Electric Company, Ingersoll-Rand Company, Bailey Meter Company, American Telephone and Telegraph Company, Goodyear Tire and Rubber Company, Standard Oil Companies of New York and New Jersey, Westinghouse Electric & Manufacturing Co., E. I. du Pont de Nemours and Co., Commonwealth Edison Company, Revere Copper and Brass Incorporated, and Aluminum Company of America, etc.

¹¹ For description see *The Revere Training Program for Technical Graduates and Selected Employees*, Revere Copper and Brass Incorporated, Rome, N. Y.

ity should be considered. If the education or training is to apply specifically to the product of the company, the training should be given by the company or industry. If it does not and if it is of a general nature, it should be handled by public or other schools.

Industrial training is concerned with preparing, or improving the personnel in the performance of their jobs, occupations, and professions within a plant. Training is to a greater extent the function of the company than is education; however, the need for also engaging in education in industry is more important than a few decades ago. Education is concerned with giving employees general preparation, skills, attitudes, and knowledge—to aid in meeting general industrial or life problems.

Industry is coming to realize the need for education as well as training within its own ranks. Therefore, this type of instruction has grown rapidly in recent years. Much of the instruction has been handled by specialists within the companies, who have had the practical experience so necessary in industry and who understand the value of instruction in the practical phases of the work of the company. Those subjects are taught which can be used and applied directly or indirectly to the work. The courses often are given at night by an instructor from within the company. These teachers are heads of departments or employees who have had special or expert training in the subject. For example, courses in mathematics are taught by men who have specialized in college mathematics, who have the qualifications of personality and intelligence essential for good industrial teachers.

In some companies, where continuous operation is necessary, home study or correspondence courses are given or encouraged in nearby schools. One large electrical company encourages all its employees to take correspondence courses, or, if this is not possible, to follow some other course of study. Courses given in home study and night classes vary according to the company. The subjects which were offered to employees by the Philadelphia Rapid Transit Company, either in evening classes or by correspondence, are: The Electric Railway Industry (which includes a series of lectures on the work and theory of the different departments of the company); Handling Men; Public Relations; the A B C of the Electric Car; the Gas Electric Bus; Storage Methods; Blueprint Reading; Mathematics; Fundamentals of Electricity; Stenography; and Public Speaking.

Naturally, the opportunities for study provided by a particular company will vary according to its needs. A very effective method of determining this is to make a survey of the educational wants and needs of the employees by distributing questionnaires to the employees. The results of the survey serve as a start in establishing a company educational pro-

gram and show what the men think is needed with reference to their educational background.

Education in industry should be correlated with that of the schools and colleges. If a company is located in a city where there is a school or college offering courses which its employees may take, participation should be encouraged. If the material can be obtained at a local institution, it should not be duplicated by the industry, provided it is accessible to the employees of the company and not prohibitive because of high entrance requirements. Sometimes this latter objection cannot be eliminated, and it may be necessary to give the course in the industrial company. In some cities, schools and colleges hold regular night schools for industrial employees, with regular four-year courses leading to a college degree. The instruction should be of a high caliber and of the same grade as that given in the regular day schools. The slogan "Learn while you earn" is becoming more and more popular in industry, and educational programs have grown very rapidly, until today they embrace a large number of courses and activities.

The General Electric Company¹² and the Westinghouse Electric & Manufacturing Company¹³ have developed extensive training programs and educational opportunities. Also, General Motors Corporation has the General Motors Institute, which offers a wide variety of courses and types of training¹⁴ to its employees.

There are various kinds of education in industry and business. The company library has now become educationally important. Company libraries are maintaining a classified list of books, pamphlets, bulletins, and magazines not only on subjects in which the company is interested, but also on general subjects which may advance the employees generally, theoretically, and culturally. It is interesting to note that in some companies nonfiction is more popular than fiction. Books on subjects relating to the company seem to be more in demand. The smallest requirement of the company library is that it contain an up-to-date classified list of books on the subjects with which the company is particularly concerned.

Quite often, the library is advertised as a place to spend an hour or so in useful recreation. Special requests for information may be sent to the librarian, who secures and puts the material into useful form and sends it out to the employee. Or circulars, pamphlets, and bulletins are scanned and routed to the persons who are interested in specific subjects. Reading

¹² A. R. Stevenson, Jr., M. M. Boring, and T. C. Johnson, "The Educational and Training Program of G.E.," *Mechanical Engineering*, March, 1942, pp. 217-219.

¹³ Westinghouse Electric & Manufacturing Company, *Westinghouse Training Programs and Educational Opportunities*, Pittsburgh, Industrial Relations Department.

¹⁴ See *General Motors Cooperative Training Program*, General Motors Institute, Detroit, as an example; also its Executive training manuals.

courses can be planned for those who wish them. For example, if the employee desires a course in accounting, the library may refer him to a series of books that treat accounting in its most elementary form and gradually lead up to an advanced treatment of the subject. This procedure has been found very profitable. In larger industrial companies, divisional branch libraries have been established containing books especially adapted to the work of the particular branch in which they are located.

The Jones & Laughlin Steel Corporation and Revere Copper and Brass Incorporated have prepared complete textbooks on the manufacture of their products for those who wish to study them, which is helpful to foremen and employees who want information about their company and its processes.

Americanization is a phase of educational work in industry which requires a great deal of attention by those companies whose employees consist largely of those from other lands. In such cases it may be necessary to establish courses in spoken English, in the customs of the country, and other subjects. And even though foreign-born workers may speak fairly well, they may not be able to read and write, and should be offered such "Americanization" or "English" courses.

Another phase of education in industry concerns the development and maintenance of desirable attitudes in workers, a function of education that is being recognized by more and more industrial leaders. The molding of attitudes is approached from two directions: employee relations and public relations. To a large extent the two objectives of inculcating attitudes are interdependent. Healthy employee attitudes make for better public relations and the realization of better employee relations, because the personnel represents a section of the public and because means of attitude-transfer from one individual to another are so effective. The theory that employees who are happy in their social relations outside the work situation are better employees inside the plant prompts some industrial organizations to offer such information as budgeting personal finance, recreational activities, etc.

Workers' Education in Labor Unions

For many years some labor unions have had training and educational programs for their members. Probably the most notable is that of the Educational Department of the International Ladies' Garment Workers' Union,¹⁵ which was established in 1917. The extent of its activities can be easily seen from the summaries for 1935-42 as shown in Figure 54.

¹⁵ Educational Department, International Ladies Garment Workers' Union, *The Twenty-fifth Year*, New York, Annual Report, May 31, 1942.

SUMMARY 1935-1942**Classes and Groups**

	Locals & Jt. Bds. Participating	Study Classes	Music	Dra- matics	Ath- letics	Gym	Danc- ing	Total Groups	Total Participants
1935-36	59	293	55	33	51	54	21	507	15,000
1936-37	76	317	44	37	51	71	33	553	20,000
1937-38	75	309	70	37	37	84	37	620	22,050
1938-39	74	268	117	74	59	100	59	673	16,464
1939-40	76	261	120	80	50	142	50	703	17,000
1940-41	79	290	103	42	41	172	56	704	16,800
1941-42	87	494	102	30	116	168	58	968	19,887

INSTITUTES AND SCHOLARSHIPS

Year	ILGWU Institutes*		Scholarships at Labor Schools
	Number	Students	
1935-36	8	280	11
1936-37	5	164	23
1937-38	3	140	17
1938-39	4	208	12
1939-40	4	205	3
1940-41	4	230	5
1941-42	5	264	4

*Held at Brookwood Labor College and the Southern, Hudson Shore and Wisconsin Summer Schools for workers and from 3 to 14 days in duration.

Figure 54. Summary of Activities of the Educational Department of the International Ladies' Garment Workers' Union

The activities of the twenty-fifth year show: (a) classes in English, current events, new members' classes, first aid, home nursing, nutrition, citizenship, parliamentary law, public speaking, labor problems, trade union methods, arts and crafts, foreign languages, economics, journalism, and psychology; (b) institutes at the University of Wisconsin, Hudson Shore Labor School, and in New York City; (c) tours; (d) lesson material service; (e) publicity; (f) public relations; (g) publications; (h)

trade union service documents; (i) pamphlets; (j) athletics; (k) choral activities. The locals of this union carry on many of these activities; many have their own journals and libraries.

Other unions which have educational programs are the Amalgamated Clothing Workers of America and the United Automobile Workers of America. The United States Department of Labor and the state departments of labor also assist many unions in their educational programs.

Some persons¹⁰ in workers' education in labor unions contend that much has been said in the past about education *for* workers and not enough has been done *by* workers; and they think that stress should be put on the quality of such education rather than the quantity. Workers' education among unions and the public is promoted by such agencies as the Workers' Education Bureau of America, the American Labor Education Service, and the Workers' Service Program of the W.P.A. The Workers' Education Bureau (W.E.B.), officially recognized by the American Federation of Labor, described its purpose, control, and services in 1942 as follows:

PURPOSE

The purpose of the Bureau, as originally conceived, in 1921, was to serve as a clearing-house of information and guidance in the development of workers' education in the United States. While maintaining this original aim, and enlarging its activities to meet new needs, the Bureau has also, during the past nineteen years, become the recognized agency through which the Federation of Labor carries on a workers' educational program for its members.

CONTROL

The Bureau is a cooperative educational agency created and supported by the affiliation of the American Federation of Labor and 632 National and International Unions, State Federations of Labor, Central Bodies, Local Unions, and Workers' Educational Enterprises. The direction of the Bureau is vested in an Executive Committee of eleven members, upon which the American Federation of Labor is represented by five appointees of the President of the Federation.

SERVICES

The Bureau has established the following types of educational service:

1. *General Information.* A monthly News Letter containing news about the workers' education movement in the United States is sent throughout the year to all affiliated organizations and

¹⁰ For example, see Theodore Brameld (Ed.), *Workers Education in the United States*, New York, Harper & Bros., 1941, p. 89.

members. Articles on current labor and economic problems also are sent out periodically to our membership.

2. *Educational Advice.* The Bureau assists workers in starting study classes, weekend conferences, Labor Institutes, and Summer Schools for the consideration of such economic and industrial problems as are of interest to them.
3. *Research.* The Bureau has developed through special research a study of both methods and materials in Workers' Education; it has undertaken special educational and research service in response to requests from affiliated organizations.
4. *Radio.* Through the cooperation of the National Broadcasting Company and other networks, as well as independently and through local stations, the Bureau has developed a series of educational broadcasts on labor and industrial problems during the past eight years. The Bureau collaborated for nearly two years on research for the "Americans at Work" program given each week over the Columbia network.
5. *Teachers' Registry.* A free registration service for both teachers' and workers' groups interested in workers' education has been maintained since the establishment of the Bureau.
6. *Publications.* From its inception the Bureau has recognized the need for the preparation of special educational materials for adult workers. It inaugurated the WORKERS' BOOKSHELF and has published upwards of seventy titles, consisting of books, pamphlets, outlines, and syllabi. A full list of these titles may be obtained from the Workers Education Bureau Press, Inc.
7. *Cooperative Book Service.* The Bureau has also undertaken to supply any book in print to its members.

The American Labor Education Service (A.L.E.S.) is sponsored by both the C.I.O. and the A. F. of L. and provides study material, advice, and information to students; publishes bibliographies; sets up regional conferences and workshops; and performs other services.

The Workers' Service Program of the W.P.A. has served as a clearing house for activities in a nationwide workers' educational program. At the time of being drastically curtailed, the Service officially suggested: workers' education classes and discussion groups in current social and labor problems, English parliamentary law, public speaking, science and arts; conferences and forums; recreation, art, and craft activities; information on labor law, health, housing, and employment; workshops; material for classes; library sciences, research studies; and work in radio, moving pictures, and exhibits.

Besides these services, labor schools have continued, such as Hudson Shore Labor School (formerly at Bryn Mawr), the Wisconsin School for Workers at the University of Wisconsin, the Pacific Coast School, and Southern Summer School, and others.

Since many workers in industry have gone to public school, they are going into industry with more education than formerly was the case. They are better prepared to receive further education than workers of a few decades ago. Workers want more education, and should have it.

Samuel Gompers said, "Whatever progress the American Labor Movement makes rests on an educational basis."

Education and Training in Personnel Relations

Besides the general qualifications for a personnel relations manager, the education of a prospective worker or official in this field is important. The author examined the records of a number of these managers a few years ago and found that, of 158 men in charge of personnel relations work, 60% (70 persons) were college graduates or had gone to college, 35% had gone to high school, 4% had gone to grammar school, and 1% had had no formal education. Of 54 college graduates, 21 had taken engineering in college, 17 had taken liberal arts, 8 had taken science, 3 had taken medicine, 2 had taken business administration, etc. Each full-time personnel director had supervision of the personnel work for an average of 619 employees. If a company wished to know how many full-time personnel officers to employ,¹⁷ based solely upon these figures, he could multiply the number of employees in the company by .00161.

During World War II, an extensive training of foremen in personnel relations was the Job Relations Training of the Training Within Industry service of the War Manpower Commission. The following sequence of steps in studying and handling a job relations problem was given:

JOB RELATIONS¹⁸

A SUPERVISOR GETS RESULTS THROUGH PEOPLE FOUNDATIONS FOR GOOD RELATIONS

Let each worker know how he is getting along.

Figure out what you expect of him.

Point out ways to improve.

Give credit when due.

Look for *extra* or *unusual* performance.

Tell him while "it's hot."

¹⁷ This has probably increased greatly during the last few years.

¹⁸ *Job Relations Training, Training Within Industry Service, War Manpower Commission, Washington, D. C., 1943.*

Tell people in advance about changes that will affect them.

Tell them WHY if possible.

Get them to accept the change.

Make best use of each person's ability.

Look for ability not now being used.

Never stand in a man's way.

People must be treated as individuals.

HOW TO HANDLE A PROBLEM

1. GET THE FACTS

Review the record.

Find out what rules and plant customs apply.

Talk with individuals concerned.

Get opinions and feelings.

Be sure you have the whole story.

2. WEIGH AND DECIDE

Fit the facts together.

Consider their bearing on each other.

Check practices and policies.

What possible actions are there?

Consider effect on individual, group, and production.

Don't jump at conclusions.

3. TAKE ACTION

Are you going to handle this yourself?

Do you need help in handling?

Should you refer this to your supervisor?

Watch the timing of your action.

Don't pass the buck.

4. CHECK RESULTS

How soon will you follow up?

How often will you need to check?

Watch for changes in output, attitudes, and relationships.

Did your action help production?

In general, it has been stated that it is preferable to have a college education as a qualification for a personnel relations manager and his assistant. In addition, it is believed that that college education (or graduate work after the first degree) should include the following:

1. Personnel and Industrial Relations Management (either from the industrial, business administration, or technical point of view)
 - (a) Personnel Methods
 - (b) Industrial or Labor Relations
 - (c) Industrial Engineering (Time and Motion Study)
 - (d) Industrial or Business Management

2. Psychology
 - (a) Basic Psychology and Industrial Psychology
 - (b) Statistics
 - (c) Psychology of Employment Testing, etc.
3. Economics
 - (a) Basic Economics
 - (b) Labor Relations
 - (c) Labor Market
4. Internship in personnel work in industry or business (such as interviewing, training, statistics, etc.)
5. Practical experience in the industry in which the individual will do personnel and industrial relations work.

CHAPTER 11

HEALTH ACTIVITIES

Importance of Health Activities

It is a well-founded belief that good work is dependent upon good health. The wise employer or union leader recognizes this fact and endeavors to maintain a force of workers who are healthy in body and mind. This is done, first, by making certain that those employed are physically fit and, second, by maintaining this fitness throughout employment. A great deal of work difficulty is due to the fact that the health—the mental and physical condition—of employees is not adapted to their work. Furthermore, quality and quantity of production depend to an important extent upon the health of the employee, for ill health produces poor workmanship, waste, unhappiness, and inferior personnel relations.

In practically every company where it has been introduced, health work has reduced absenteeism, the number of days lost by each employee per year, and labor turnover. On an average, a fraction over seven days (roughly 2% of his time) are lost by each employee annually because of sickness, which is estimated also to be the cause of from 10% to 15% of labor turnover. The amount of sickness which is prevented by health activities is another important consideration.

Organized health work in industry started as early as 1880 when medical departments were established in such firms as the Crane Company, the John B. Stetson Company, and the Cambria Steel Company. Shortly after 1910, it received its greatest stimulus when workmen's compensation insurance legislation was passed. From then on it grew rapidly. In 1928 it was estimated that industrial sickness cost over \$500,000,000 annually in direct expenses. The saving that could be effected in increased production as well as in elimination of human waste is many times that amount. This saving would be even greater if indirect expenses were taken into consideration.

The function, then, of the health department in an industrial establishment is to obtain and maintain a healthy working force. Special stress has been placed in recent years upon preventive rather than curative measures. The modern method is for the industrial physician to

endeavor, by proper health measures, to prevent sickness from entering a factory. The worker may not of his own free will take proper health precautions. He may not of his own volition go to a private doctor. If there is a company health service, he may more than likely use it, first, because it is economical or free and, second, because its accessibility in the plant makes it convenient. Many men will not use the medical service if any of the so-called "production-line methods" are used, and if the health activities are not taken care of adequately and humanly.

Organization of the Health Department

When companies are large enough to maintain a separate personnel branch, the health department is usually one of its main divisions, and it is usually on a par with employment, safety, training, and service depart-

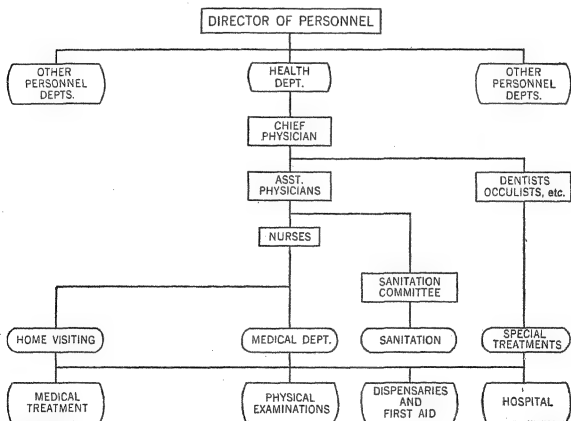


Figure 55. Organization Chart of the Health Department for a Large Plant

ments. Such an organizational setup for the large factory often follows the diagrammatical plan shown in Figure 55.

The health department is usually under the supervision of the personnel department. Otherwise it is managed by one of the following officials (listed in order of frequency): the official supervising production, the official dealing with compensation matters, or the plant admin-

istration or work supervising official. The organization of the health department will vary according to the size of the plant and to the local medical situation, and will depend upon the plant's financial resources.

The American College of Surgeons has stated that the following constitute the minimum industrial health service:

1. The industrial establishment shall have an organized medical department or service with competent medical staff including consultants and also shall have adequate emergency, dispensary, and hospital facilities and personnel to assure efficient care of the ill and injured.

2. Membership on the medical staff shall be restricted to physicians and surgeons who are

- (a) Graduates from an acceptable medical school, with the degree of Doctor of Medicine, in good standing and licensed to practice in their respective states or provinces;

- (b) Competent in the field of industrial medicine and traumatic (accident) surgery;

- (c) Worthy in character and in matters of professional ethics; in the latter connection, the practice of the division of fees, under any guise whatsoever, shall be prohibited.

3. There shall be a system of accurate and complete records filed in an accessible manner, such records to include particularly a report of injury or illness, description of physical findings, treatment, estimated period of disability, end-results, as well as other information pertinent to the case or required by statute for workmen's compensation claims or other purposes.

4. All patients requiring hospitalization shall be sent to institutions approved by the American College of Surgeons.

5. The medical department or service shall have general supervision over the sanitation of the plant and the health of all employees.¹

The industrial physician is the most important member of this staff. He may give his entire time to the company, as is customary in large plants, or he may divide his day between industrial and private practice. The ethics of the medical profession will not allow the physician to advertise or seek employment, and the industrialist may, therefore, have to take the initiative in the matter. The local physician who is experienced and successful in his general practice and who has proved his ability in regard to industrial patients is the most satisfactory type for factory health work. The Conference Board of Physicians in Industry

¹ American College of Surgeons, "Medical Service in Industry and Workmen's Compensation Laws," 1938, p. ix.

has defined the industrial physician as "one who applies the principles of modern medicine and surgery to the industrial worker, sick or well, supplementing the remedial agencies of medicine by the sound application of hygiene, sanitation, and accident prevention; and who, in addition, has an adequate and cooperative appreciation of the social, economic, and administrative problems and responsibilities of industry in its relation to society."

On the staff of the health department it is important to include two main types of industrial nurses—the dispensary nurse and the visiting nurse. The former is usually under the direction of the physician in charge, except in the subdispensary, where she must use her own judgment and personality. The dispensary nurse's duties are to attend to minor sickness and injuries, to keep the dispensary in good shape, to make supplies, to keep accurate records, and to make arrangements for cases that must be sent to the physician. The visiting nurse provides a link between the factory medical department and the worker and his family. Her work resembles that of the social worker, but sometimes includes actual nursing in the home of the worker. Her clues for home visitation are the personnel department's reports of absent employees. Her greatest concern is to bring the employee back to health and work at the earliest moment, and at the same time to keep the worker and his family comfortable.

Activities of the Health Department

The maintenance of good health in the large plant requires and comprises certain fundamental activities. It must be borne in mind that these activities depend upon the size of the companies and the extent to which the value of health procedures is recognized by the management and the union. An endeavor has been made to list them in the order of the extent to which they are used:

1. Physical examinations
 - (a) Prior to employment
 - (b) Periodically
2. First aid and dispensaries
3. Medical treatments
 - (a) Injuries
 - (b) Sickness
 - (1) In the factory
 - (2) In the home
 - (c) Prevention of contagious diseases
4. Hospital

5. Special treatments
 - (a) Teeth
 - (b) Eyes
 - (c) Ears, nose, and throat
6. Health education
7. Sanitation and working conditions
8. Mental hygiene
9. Recreation and rest periods

In almost every plant where the health of the worker is guarded, physical examinations are required. They may be given prior to employment, during potential employment, and periodically thereafter. In any case they are fundamentally the same. The purposes of the physical examination are to determine: what kinds of work the employee is able to do; whether he has any contagious disease; and whether he has any physical defect which would prevent good work or might contribute to accidents.

The actual benefits derived from physical examinations are numerous. The worker's health is supervised at nominal or no cost to the worker; exposure to contagious diseases is lessened; sickness is reduced; the employee is placed on the job for which he is physically fitted; and fewer absences and steadier pay are assured. In regard to the employer, the benefits are also many: undesirables are kept out; accidents are reduced; and the number of unjust claims for injuries is lessened; epidemics are prevented; and the number of absentees is decreased—all of which increase and improve production. Even in view of these benefits, there are often objections to physical examinations on the ground that their responsibility should be jointly assumed by the worker, the employer, and the community; and on the ground that the examination is meant to bar from employment those with slight physical defects who are able to do certain kinds of work. As a matter of fact, only about 4% or 5%, on the average, are ever rejected because of physical unfitness. Within the last few years, organized labor, one of the former objectors, has been gradually granting its approval to physical examinations in industry.

Many methods are followed in giving physical examinations. According to the results of the physical examination, employees are often classified as follows:

- A. Normal in every way for any employment.
- B. With only slight defects which do not hinder any employment.
- C. With defects severe enough to make certain employment inadvisable.
- D. Unfit for any employment.

The physical examination is usually the employee's first contact with the health department. At this time, if he is given the same consideration, interest, and sympathy extended by his private physician, his confidence is easily won, and his future use of the health service will be furthered. With this accomplished, personal health practices can be explained to him in greater detail and his effective cooperation can be obtained. Expert medical treatment, combined with consideration, interest, and sympathy to all the company, will convince both workers and management of the importance of health work.

Injuries and illness occur frequently, and for this reason first aid is a vital service. It is the one medical activity where results can be seen and felt at once. First-aid equipment should, in all instances, be maintained in a centrally located place, and service should be administered only by qualified persons trained in first aid, acting under instructions from the plant medical adviser or a reputable local doctor, in order to assure that proper treatment will be given. The materials which make up the first-aid kit should be furnished on the advice of a physician who is familiar with the operations of the plant. It is recommended that adequate records be maintained by the first-aid attendant for reference by management and medical department.

Dispensaries and subdispensaries are usually centrally located stations used for the treatment of accidents and minor sickness. They should be in the center of the various departments or in the most accessible place in the plant, and as free as possible from noise and traffic. The dispensary's equipment should be standard and similar to that found in any doctor's office, including instrument cases, sterilizers, examination table, first-aid kit, dressings, and drugs. Everything should be convenient and conducive to handling cases well and easily. Waiting or delay in treatment is costly, psychologically to the worker as well as financially to the company.

The main activities of the health department are the medical treatment of injuries and sickness and the prevention of contagion. Minor injuries, such as cuts on hands, are taken care of in the first-aid station. A severe injury should receive the immediate attention of the doctor, for the longer the injury is left without treatment, the more dangerous it may become. When any employees are stricken on the job, medical attention should be given as soon as possible. In any large organization sickness of all sorts is to be found, such as respiratory, digestive, infectious, inflammatory, cutaneous, nervous, and muscular diseases. Sickness in the plant is cared for by company physicians, but sickness in the home is usually cared for by private physicians or sometimes by the visiting industrial nurse. Contagious diseases are apt to break out during

certain seasons of the year, and the health department must be alert and efficient in order to prevent an epidemic.

In larger companies, such as railway, steel, and mining companies, complete and well-equipped hospitals are maintained, mainly because the number of hospital cases is so great that it is economical to establish a company institution. Many of these hospitals contain, in addition to the regular equipment, obstetrical and children's wards. They are financed by the company, although some maintenance is provided by charging the patients a small fee. These industrial hospitals should be staffed by competent physicians, surgeons, and nurses.

Special medical treatment for teeth, eyes, ears, nose, and throat of many employees is needed. As about 25% of factory employees have bad teeth, about 10% uncorrected defects in vision, and about 40% of the plant sickness is due to respiratory diseases, many factories have found it economical to establish eye, ear, nose, throat, and dental clinics where only a small fee is charged for these services.

Both officials and employees need instruction along health and personal hygiene lines. Such an instructional program can include personal medical interviews, health lectures and discussions, and health committees and campaigns. The individual contact type of health education seems to be preferred and seems to produce the most effective results, as both employees and officials welcome the opportunity to know more about the necessary care of minor injuries and various physical diseases and mental disorders.

Occasionally inefficiency and fatigue are caused by abnormal mental conditions, and for this reason some large companies include mental hygiene as an important activity of the health department. The industrial physician can handle most cases, but severe ones should be sent to a psychiatrist, who sometimes is on the company medical staff. Physical and mental recreation is essential to the health of men in industry as it is elsewhere. Relaxation and rest periods are the stimulants of the day's work. Today almost every large company provides various recreational activities, such as baseball teams, entertainments, parties, picnics, dances, dramatics, and musicals.

Sanitation problems in the modern industrial plant are concerned with the cleanliness of the entire factory, illumination, the proper control of ventilation, temperature, humidity, sewerage, dust, drinking water, milk, and food. All sanitary equipment is selected by the medical service, while its installation is a duty of the engineering department. Sanitation is sometimes in charge of a sanitation inspector, who works with a committee of men from various departments of the plant. Regular inspections are made on ventilation and the cleanliness of the floors, toilets,

locker rooms, windows, lights, and cuspidors. In many factories contests are held and prizes given to the department which has kept its rooms the cleanest and has maintained the most sanitary conditions for a given period.

The United States Public Health Service considers the following regulations of working conditions as necessary to good plant sanitation and health:

1. Adequate lighting, with the light distributed properly, free from glare, and yet sufficiently concentrated on the work in hand to prevent eye-strain.
2. An exhaust system to remove deleterious fumes and dust.
3. Abundant drinking water, cold but not ice-cold, within easy reach of worker.
4. Attractive, quiet rest rooms, especially for women.
5. Lunch rooms or canteens where a hot lunch of nourishing, well-cooked food, selected according to a scientific dietary, may be purchased at cost price and eaten amid attractive surroundings.
6. Clean and modern, well-ventilated toilets.
7. Washing facilities, with abundant soap, clean towels, and shower baths where the hot, sweaty, begrimed worker may become cool and clean before leaving the plant.
8. Introduction of recess periods.
9. Introduction of variety into work.
10. Adjustment of speed.
11. Omission of unnecessary motions.
12. Provision for adjustable seats.
13. Ample ventilation of workrooms.
14. Adjustment of hours of work.
15. Avoidance of overtime work.
16. Omission of Sunday work.
17. Sanitary conditions outside the plant.

Lighting ²

The difficulties which man has placed upon himself by coming indoors to work may be seen more clearly by a comparison of daylight illumination outdoors to artificial light indoors. Illumination from the sky only, at midday, was found by the United States Weather Bureau ³ to be

² M. Luckiesh and Frank K. Moss, *The New Science of Lighting*, Cleveland, General Electric Co., 1934. Also *Seeing: A Partnership of Lighting and Vision*, Baltimore, Williams & Wilkins Co., 1931.

³ *Monthly Weather Review*, Vol. 47, November, 1919, pp. 769-773. Also Vol. 49, September, 1921, pp. 481-488.

about 700 foot-candles in December and about 1,600 in June. The daylight from the sun and sky was found to be about 3,700 foot-candles in December and more than 10,000 in June. On a densely clouded day when the position of the sun cannot be seen, the average illumination in December was found to be around 900 foot-candles at noon, and about 2,700 at the same time of day in June. In many manufacturing establishments, 15 foot-candles illumination is considered excellent. From this comparison of 15 foot-candles for good lighting indoors, to 900 on a cloudy day outdoors, we might conclude that the lighting for good work indoors, in general, is inadequate. In many cases increases in lighting have been found to increase production over and above the cost of the extra illumination. Dr. M. Luckiesh contends that the increase in production resulting from better lighting is only a small part of the science of lighting. He and his colleagues have developed a new science of lighting.⁴

Dr. Luckiesh views this situation as follows:

The old ideas upon which lighting was vaguely and at best insecurely based are fast disappearing. The development of the new science of seeing, through our researches over the past two decades and particularly the last one, is really making a science of lighting out of a very crude art. The production basis falls far short of a proper one for specifying lighting in industries. At best, production ceases to increase appreciably after 20 foot-candles have been supplied. However, ease of seeing continues to increase as the intensity of illumination is increased to hundreds and even thousands of foot-candles in cases of severe visual tasks.⁵

These illumination engineers are now beginning to consider people as *human seeing machines* who waste their energy in useless work when illumination is inadequate. This emphasis upon people as human seeing machines brings up the subject of whether good lighting for one individual may be poor lighting for another. For maximum ease of reading, under the same general conditions, 11% of a group of 82 subjects selected 10 foot-candles; 17% selected 1,000 foot-candles.⁶ If the ease of seeing is considered rather than just visibility, the intensity of illumination should be varied in geometric increments in order to secure increments of improvements in seeing.⁷ From this principle, the following approximate scale of foot-candle effectiveness has been proposed: 1, 2, 5, 10, 20, 50, 100, 200, 300, 500, 1,000.

⁴ Luckiesh and Moss, *op. cit.*

⁵ From a letter from M. Luckiesh to the author, October 5, 1934.

⁶ Luckiesh and Moss, *op. cit.*, pp. 21-22.

⁷ *Ibid.*, pp. 20-21.

In general, the following foot-candle recommendations for common tasks of the work-world have been given as conservative:

- 100 *foot-candles or more*—for very severe and prolonged tasks, such as fine needlework, fine engraving, fine penwork, fine assembly, sewing on dark goods, and discrimination of fine details of low contrast, as in inspection.
- 50 to 100 *foot-candles*—for severe and prolonged tasks, such as proofreading, drafting, difficult reading, watch repairing, fine machine-work, average sewing and other needlework.
- 20 to 50 *foot-candles*—for moderately critical and prolonged tasks, such as clerical work, ordinary reading, common benchwork, and average sewing and other needlework on light goods.
- 10 to 20 *foot-candles*—for moderate and prolonged tasks of office and factory, and when not prolonged, ordinary reading and sewing on light goods.
- 5 to 10 *foot candles*—for visually controlled work in which seeing is important, but more or less interrupted or casual and does not involve discrimination of fine details or low contrasts.
- 0 to 5 *foot-candles*—the danger zone for severe visual tasks, and for quick and certain seeing. Satisfactory for perceiving larger objects and for casual seeing.⁸

The quantity of light is only one of the major factors in lighting. The others are quality of light, spectral character of light, and the quality of lighting. In general, white light or average daylight seems to be the logical illuminant for general use, with exceptions, of course. With reference to the quality of lighting, light sources for small areas should have high brightness and for large areas low brightness as the most effective visual field or visual task and the general surroundings affect the quality of light. Under certain conditions, glare wastes as much as 80% of the illumination supplied. Highlights and shadows play important parts in seeing. Therefore, "general lighting plus supplementary lighting offers a practicable means for obtaining the levels of illumination to which the eyes are entitled."⁹

In the past, lighting was principally an engineering science, but today it is a combination of a physical science—the production and control of light—and a psycho-physiological science—the specification of light and lighting. With the introduction of the psychological and physiological factors in seeing, Luckiesh introduces such subjects as the following:

<i>Physiologic Optics</i>	<i>Physiology</i>	<i>Pathology</i>	<i>Psychology</i>
Visual acuity	Nervous tension	Nearsightedness	Impression
Speed of vision	Eyestrain	Inflammation of eyes	Stimulation
Contrast sensitivity	Headaches	Digestive disorders	Confidence

⁸ *Ibid.*, p. 21.

⁹ *Ibid.*, p. 29.

Though the major factors of lighting have been mentioned briefly, still other factors enter into seeing:

The visual task

The visual sense

Psycho-physiological effects of seeing

The visual task is affected by the size, critical detail, level of brightness, contrast in brightness and color, and the time required or available for seeing. Contrast has been found to be a very important factor in the visual task; thus, seeing requires a large factor of safety above the threshold of visibility.

Eye defects or distractions affect the efficacy of the visual task. An average of 20% to 40% of the masons, printers, and machinists have ocular or eyestrain diseases, 60% to 80% of the housewives, textile workers, chemists, and musicians, and 80% to 100% of high school and college students, lawyers, teachers, bookkeepers, tailors, etc., have eye defects or distractions upon seeing. The eyes compensate for poor visual conditions and they are injured in doing so, but are slow to complain of the abuse.

A good example is furnished by a man who had given good service on a punch press for eight years. His production decreased and part of his work became defective. They overhauled the machine, and even had the manufacturer's representative visit the plant to inspect the machine, but no defects were discovered in it. After puzzling over the decrease in production and the defects in the work, the worker was examined physically and a defect was found in one of his eyes. When it was cleared up, he resumed his former quality and quantity of production. It was also found that the low quantity and quality of light were partly responsible for the trouble with the man's eye.

Besides the effects mentioned above, the psycho-physiological effects may be even greater. Long-continued periods of exacting visual work, loss of sleep, lack of recreation, and various other factors affect seeing greatly.

The actual installation of lighting equipment should follow the general principles of good lighting. It may be direct light, indirect, or semidirect. The lighting has been general, group, or local. The lights themselves may be of the mercury-vapor type, or the regular Mazda, or combinations of these two and others. Tables have been developed giving past experience in regard to spacing between outlets and the mounting height above the work or the floor. The type of work to be performed and the working conditions determine the foot-candle power of lighting needed.

After the proper number of foot-candles have been determined, the lighting units, their utilization and depreciation, the number and location of outlets, mounting heights, and light sizes must be determined. It is not to be inferred, however, that the intensity of lighting is to be left to the judgment of the manager. This should be measured by a foot-candle meter, for usually personal judgment of the foot-candle power of artificial light is poor. Physically and mentally, adequate lighting and seeing are extremely important to production and management.

In order to obtain the correct effects of lighting and seeing, some of the most up-to-date plants have been constructed without windows, but with adequate uniform nonglare artificial illumination. A good example of this type of illumination is that designed for the Simonds Saw and Steel Company at Fitchburg, Massachusetts, and some of the new plants erected during World War II.

In general summary, then, adequate, constant nonglare illumination has a human as well as a dollar-and-cents value. Because of this, the recent trend seems to be to control light for illumination without glare. Joseph Tiffin's ¹⁰ outstanding studies on visual problems in industry show what can be accomplished in this field.

Heating and Air Conditioning

Heat has a decided physiological effect upon the worker. In recent years the subject of heating has been so closely associated with the subject of air conditioning that for the purpose of this discussion it will be included as a part of that subject. Air conditioning has come to involve the constant and simultaneous control of temperature (heating and cooling), humidity, air motion, distribution, and purification. Some of the most up-to-date companies consider the factory as one great production machine, closely coordinated, with all conditions controlled, in what is called the "controlled conditions plant." ¹¹ Not only the temperature, humidity, and purity of the air are controlled, but also the method of production, the work shifts, plant layout, quality, light, sound, color, and various other factors. For considering air-conditioning problems, the American Society of Heating and Ventilating Engineers has prepared a comfort chart giving the relationship between the relative humidity in percentage and temperatures indoors as shown in Figure 56. A number of methods are used to control temperature, humidity, and purity. Heating may be accomplished by gravity or forced circulation of the one- or two-pipe systems, usually through cast-iron radiators or pipe

¹⁰ Joseph Tiffin, *Industrial Psychology*, New York, Prentice-Hall, Inc., 1942, Ch. 6.

¹¹ The Austin Company, *Controlled Conditions Plant*, Cleveland, 1931.

coils. In recent years the use of suspended or floor types of unit heaters has come into wide acceptance because of the small space required, ease of location and of control, and the simple piping system required.

Air can be kept fresh by roof ventilators or by the central or group forced exhaust system. Air can be warmed or cooled by increasing or decreasing the air motion, by controlling the moisture content, or by removing from or adding to the heat content, according to the comfort line in Figure 56. Humidity may be increased by the introduction of

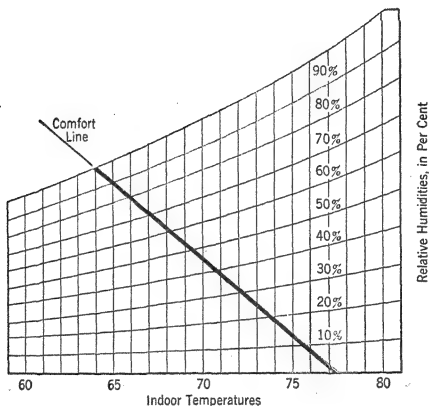


Figure 56. Comfort Chart of Humidities and Temperatures
(Prepared by the American Society of Heating and Ventilating Engineers.)

water into the air by means of a fine spray or mist, or by passing the air through a spray of water in an enclosed chamber. Conversely, too humid air may be dried. Air may be purified by passing it through air washers, sprays of water, wetted plates, or viscous or dry filters.

Air conditioning has great effects not only upon the people in the plant, but also upon the products and profits. For example, manufacturers of the following have found air conditioning essential to their manufacturing processes: bakery supplies, candy, chemicals, food, meat, photographic films, printing, textile, corn and sugar products, and rayon.

Health Work in the Small Plant

The total number of men employed in small plants of 250 or less workers greatly exceeds the total number employed in large plants. Less than 5% of the industrial companies employ over 1,000 employees. Less than 20% of the industrial population receive adequate industrial health supervision. From this it is evident that consideration of health work in the small plant is a very vital matter.

The overhead in the small factory is usually proportionally larger than in the big company, so it is difficult for the small factory to add a complete health service without carrying too great a burden. This difficulty is being overcome, in many cases, by the employment of a part-time physician. A small company can also employ a full-time industrial physician for part-time health service, and for employment, safety, personnel, or office work, for the remainder of his time.

Another plan which has been successful is an association of several small plants in the same vicinity, which hires a full-time industrial physician and assistants to render a complete health service to each plant on a pro-rata basis, and to maintain a centrally located dispensary for all the plants. For example, in Roanoke Rapids, North Carolina, five cotton mills and one paper mill gave medical service to their employees at approximately \$9 a year per capita. In some vicinities there is an association of industrial physicians which renders medical services to various small plants. A physician and a nurse may set up an industrial health office and serve small plants in their vicinity without any definite contract with the plants.

It must be kept in mind that health work in the small plant should embrace the same activities as those of the large factory, but on a comparative scale. Wherever it has been tried, it has produced proportionally the same results and benefits as in large plants.

Extent, Cost, and Establishment of Health Service

The costs of health service vary with different companies, depending upon location, availability of medical services in the community, number of employees, and many other factors. The Committee on Healthful Working Conditions of the National Association of Manufacturers made a survey in 1940 of the extent and development of factory health programs. A questionnaire was sent to 4,500 companies in the United States. Fifteen hundred replies were received representing 2,064 plants and 1,945,551 workers. Following is part of the summary and conclusions

as found in the National Association of Manufacturers' report on this survey:¹²

1. Health programs have proved their worth to the companies instituting them.

- (a) An estimate on the basis of reductions in various health hazards reported in this survey revealed that a health program saves the average 500-employee plant \$5,611 net per year.
- (b) All but 5 of the total 1,625 respondents considered their programs paying propositions.

....

3. Twenty-three specified items were listed as important components of a factory health program.

- (a) In order of importance, proportions of the 2,064 plants in the survey reported specified services as follows:

Over 80%: Program of accident prevention.

Exhaust ventilation for dust, fumes, or gas control.

Plant housekeeping and sanitation program.

70-80%: Maintenance of a locker room.

Rooms equipped for medical examinations and emergency treatment.

Pre-employment physical examinations of factory employees by a doctor.

60-70%: Maintenance of a rest room.

Records of all illnesses and absence.

50-60%: Fatigue prevention program, including refreshments available.

Employee hospital insurance.

Provision for recreational or athletic activities.

Periodic check-up of illumination of work surfaces.

4. The survey shows that factory health programs are becoming more widely accepted regardless of size and type of industry, while these factors do have a direct influence on the average annual per capita costs of such programs.

A survey of 299 industrial establishments of various sizes showed that extended medical service costs according to size of plant in 1936 were:¹³

¹² National Association of Manufacturers, *Industrial Health Practices*, New York, May, 1941, pp. 14-16.

¹³ American College of Surgeons, "Medical Service in Industry and Workmen's Compensation Laws," 1938, p. 25.

1,000 employees and over.....	\$4.93 per man
500-999 employees	6.97 " "
1-499 employees	8.76 " "

The Endicott-Johnson Corporation describes its medical service, which has been in existence about twenty-five years, as follows:

Under our plan a complete medical service is available to 15,500 Endicott Johnson Workers and the dependent members of their immediate families, making a total of about 45,000 people.

We maintain two medical centers respectively located in Johnson City, N. Y. and Endicott, N. Y., convenient to the homes of the majority of workers. The work includes dispensary service, bedside attendance in the home and where needed, hospitalization is secured for our patients at one of the local, approved hospitals.

Our dental service is limited to preventive work, i.e., fillings, extractions, cleanings, and a small service in orthodontia, gold and plate work being referred to outside dentists to be paid for by the patient. There is no charge for the dental work we do here.

At the present time we employ 26 physicians, 22 of whom are on a full time salary basis. Our medical personnel consists of 4 general surgeons, 3 internists, 2 otolaryngologists, 1 pediatrician, 2 ophthalmologists, 2 obstetricians, 1 gynecologist, 1 dermatologist, 1 pathologist, 1 roentgenologist, 1 anesthetist, and 9 men in general practice. We have 3 bacteriologists, 28 graduate nurses, 4 dentists, 5 dental hygienists, and 4 pharmacists plus clerical personnel.

We believe this service is quite complete in that there is available all the service that would normally be available in the average community of 135,000 people, and in addition special consideration is given unusual cases such as those requiring brain surgery and other rare conditions by referring patients to some of the larger medical centers where the best talent is available, all at our expense.

We are satisfied that by eliminating the financial worry occasioned by illness, the efficiency of the worker is definitely increased.

It is rather difficult to picture our service by letter; however, if you will think in terms of 45,000 people having a *complete* medical service, without any cost to them, simply by asking for it in the usual manner that is followed when a doctor is called by the average person who expects to pay the doctor bill, and added to that a group of specialists who can be called and are called in consultation freely, I think you can then visualize the service that exists here.

The service has been approved by the American College of Surgeons and is on their recognized list. I believe it is fair to say that the American Medical Association has also had a favorable impression of our service.

Due to the requirements of the armed forces, our service has been very much depleted and replacements have not been available, there-

fore, the number of people per doctor is materially higher than it would be under normal conditions. However, the cost has remained approximately the same over several years, viz.: about \$17.00 per worker and \$48.00 per family.¹⁴

In order to provide a self-check of health practices in a plant,¹⁵ the National Association of Manufacturers has provided a checklist to enable plant managers and executives to compare the employee health activities in their plants with a guide accepted as good practice by both operating executives and health experts, and to know the health rating of their own plant. Items included in this are considered the minimum for satisfactory health protection. Many plants employing less than one hundred employees have the bulk of these provisions, while some have the entire program. The practices outlined merit careful study by all manufacturers, for they have proved their worth as a means to reduce absence, accidents, and illness; to lower compensation premiums; and to improve industrial and public relations. Each company is encouraged to check and rate its health activities on such a chart.

¹⁴ Letter of November 20, 1942 to the author from Robert L. Eckelberger, Director, Workers Medical and Relief Department, Endicott Johnson Corporation, Johnson City, N. Y.

¹⁵ The Committee on Healthful Working Conditions, National Association of Manufacturers, New York.

CHAPTER 12

MORALE SURVEYS

Morale is the emotional and mental attitude of employees. Good morale, then, is the satisfaction or confidence which employees feel toward their company as an organization. Employers are interested in the morale of their workers because greater satisfaction and productivity result from good morale. It is important for management to:

1. Find out how employees feel and what they think about situations and conditions in the company.
2. Eliminate or correct difficulties which cause poor morale and dissatisfaction.
3. Provide personnel and industrial relations activities which create good morale.

Morale is the sum total of the employees' attitudes toward the numerous specific conditions and situations in a company. To determine the morale of a company, it is necessary to determine the attitudes of the employees toward each of these various situations and conditions. Morale, the employees' emotional and mental state toward the company, is a composite of the various reactions to what happens. Each employee thinks about and reacts to each situation. Then, if management could find out the employees' reactions to the various situations, or a representative sampling of those reactions, the total could be considered as the morale of the company.

In considering morale in any company, one of the first problems is to know the current status of morale in that company. According to the scientific approach, the first step is to find the facts as to what morale really is, what the employees are thinking, and how they feel. In recent years techniques for measuring morale or attitudes have been developed and used successfully in a sufficient number of companies to warrant the statement that the determination of employee morale and attitudes is specific and definitely worth while. The results point out ways of improving morale, such as greater job satisfaction, better company attitude, increased efficiency of production, and prevention of labor difficulties.

Morale and attitudes have been judged informally and subjectively by management in its regular informal contacts with employees. Com-

pany decisions have been based upon those subjective opinions, sometimes producing disastrous results and at other times good results. Sometimes managements could judge what their employees were thinking and feeling from the number and contents of grievances and suggestions. Production and waste records sometimes reveal attitudes. These methods do not reveal a complete, yet concise, statement of the actual and relative morale of employees. One department's attitudes could not be compared to another's, and one company's attitudes were not comparable to another company's. More definite and systematic methods for measuring morale are: (1) personnel counseling—guided and unguided interviews, (2) opinion questionnaires, and (3) attitude scales.

Personnel Counseling and Interviews

The personnel research by the Western Electric Company and Harvard University¹ is an excellent example of the counseling and interviewing methods of determining morale. The Western Electric-Harvard studies go deep into the subject of morale. These studies emphasize that both an informal social and a formal human organization exist. The formal organization may be represented by the organization chart of a company, but the patterns of reaction and interaction between and toward individual human beings in the plant form another informal social organization within that plant. Roethlisberger and Dickson² describe the function of management as:

... that of maintaining the social system of the industrial plant in a state of equilibrium such that the purposes of the enterprise are realized. To achieve this objective, management has two major functions: (1) the function of securing the common economic purpose of the total enterprise; and (2) the function of maintaining the equilibrium of the social organization so that individuals through contributing their services to this common purpose obtain personal satisfactions that make them willing to cooperate. . . .

They showed that fatigue, rest pauses, physical conditions of work, repetitive work, monotony, wage incentives, and wage incentive systems were not the workers' major problems, but that problems of change in the social structure, of control and communications, and of the individual's adjustment to the structure presented the most serious difficulties. To help solve these major problems, personnel counseling by trained coun-

¹ F. J. Roethlisberger and W. J. Dickson, *Management and the Worker*, Cambridge, Mass., Harvard University Press, 1940. Also see T. N. Whitehead, *The Industrial Worker*, Cambridge, Mass., Harvard University Press, 1938, Vols. I and II.

² Roethlisberger and Dickson, *op. cit.*, p. 569.

selors (one counselor to about 300 workers) is suggested³ for the industrial relations program.

The rules of interviewing employees in such a counseling program were:

1. The interviewer should listen to the speaker in a patient and friendly, but intelligently critical manner.
2. The interviewer should not display any kind of authority.
3. The interviewer should not give advice or moral admonition.
4. The interviewer should not argue with the speaker.
5. The interviewer should talk or ask questions only under certain conditions.
 - (a) To help the person talk.
 - (b) To relieve any fears or anxieties on the part of the speaker which may be affecting his relation to the interviewer.
 - (c) To praise the interviewee for reporting his thoughts and feelings accurately.
 - (d) To veer the discussion to some topic which has been omitted or neglected.
 - (e) To discuss implicit assumptions, if this is advisable.⁴

Opinion Questionnaires and Attitude Scales

The interviewing techniques used in the public opinion polls⁵ to indicate what people are thinking have had much effect and bearing upon industrial morale surveys. The American Institute of Public Opinion⁶ has four basic problems that determine the success of measuring the opinions of the general population, namely, how many people to ask, the character of the cross section, what questions to ask, and the timing of the topic for questioning. These involve a scientific procedure and are very valuable in finding out exactly what people think about certain questions.

A morale survey made in a medium-sized company in western Pennsylvania was described by E. B. Roberts before the American Management Association meeting in New York City, October 5, 1938, as follows:

³ *Ibid.*, pp. 593-595. This suggested procedure is based upon results of actual procedure followed in the investigations, so that it is a description of the procedure plus the benefit of suggestions for improvement.

⁴ *Ibid.*, p. 287.

⁵ See H. Cantril, *et al.*, *Gauging Public Opinion*, Princeton, N. J., Princeton University Press, 1944.

⁶ American Institute of Public Opinion, *The New Science of Public Opinion Measurement*, New York.

The plant is located in an industrial town of moderate size. There are about 2,500 employees, of whom 2,000 are hourly paid and 500 salary paid. The work is of a range requiring every degree of skill. The salary-paid workers include clerks, draftsmen, engineers, accountants, a sales force, and all the usual service departments. It is a well-rounded, self-contained unit that might well be a small company independent of other units. Its product is a capital goods product that is sold in a highly competitive field. The employee group is that of a normal western Pennsylvania community. The average service is perhaps ten years or even a little longer. At the time the test was made (April, 1938), business was good without being either brisk or depressed. There was no labor crisis of any sort. Pay rates and take-out, both salary and hourly, were high—above the level of community average.

With the aid of an outside organization, a plan of mass-interviewing was devised. The head of this organization spent several weeks at the plant and during that period met all employees—top to bottom—in suitably arranged groups of approximately 75. The procedure was well worked out in advance and smooth in every detail. To every group our consultant was introduced by the manager who explained that a number of questions would be asked regarding all sorts of matters of employee relationship, that the management desired frank answers in every case, that this was all being done that we might understand one another better, everyone should say just what he thought, no one was going to be put "on the spot," that no one answering would put his name or identification on his paper, that no one of the company indeed would ever see the papers and that the answers only in the form of statistical summaries would come to the management. Invariably the manager got a good hand, and he then withdrew. The consultant, because of the setting and his own happy personality, invariably got a quick and favorable attitude and personal response. All this was done on company time.

Just a word now on the mechanics of the test. The questions are all of the "objective" type, readily answered by check marks. At no time was the employee asked to write a single word, though there was space for optional comment and many availed themselves of it. Five possible answers of the complete range were provided to each question. There were about 100 questions. Separate scores were kept for the supervisory group. Papers were identified by department, but in no other way. The punching of Hollerith cards and accumulation of the summaries were done entirely by the consultant agency at its own headquarters.

At this point I should say that we feel that the answers were full and honest, and that, largely because the management was genuinely interested in learning the truth.⁶ If the attitude and conditions are right, employees will cooperate fully.

The questions ranged over all matters of employee relationship, covering not only matters of attitude and feeling, but also measuring the accuracy and extent of the information of the employee about the company and various employee plans and policies. Following is a 10% sampling of the hundred questions:

How much does the Management care about the welfare of people in jobs such as yours?

Do the people above you understand all or almost all of the difficulties of your job?

If there were a better job vacant, would the best qualified person always or almost always get promoted to it?

If you have a grievance, are you reasonably sure of being able to get a fair hearing and a square deal?

Are some departments more favored than others?

Are you judged more by the quality of your work or the amount of it?

Is the Company's overtime and night-turn policy better than most other similar plants in this community?

Do you believe that the Company's seniority policy is operating fairly?

Do you think the classification of occupations and the method of base-rate making is fair?

Are you reasonably sure of being able to keep your job as long as you do good work?

Is there any favoritism shown in your department?

Scores for the whole range of questions we call Morale Scores. 100% would be perfect and the possible range downward to 0.

The Morale Scores by groups were as follows:

Managerial Groups

Foremen	87.7
Production	74.2
Engineering	71.2
Sales—Accounting—Order—etc.	78.0
Entire Salary Group	71.1
(Ranging by departments from 63.8 to 86.3)	
Entire Check Group	72.6
(Ranging by departments from 63 to 80)	

Much discussion might grow out of these figures considered on a departmental or functional basis. Departmental scores certainly served to reveal not only "sore spots," but "hot subjects." Some of these could be and were cured almost overnight. Merely the attention of "first-aid" was all that was needed. No cancers were there at all. The discovery and quick correction of these alone was well worth all

the time and effort expended, not to mention the larger and deeper implication of results for management to study.

The report showed that the morale at this plant, the general satisfaction of employees, is above the average of organizations in which parallel studies have been made. It showed that the most important desires of employees are connected with good work. It showed that the strongest influence on the general satisfaction is the opportunity for an individual to do the kind of work he would like to do. It showed that the things most injurious to his morale are those which prevent doing good work. The report emphasized the necessity of "fairness" but also the need for agreement on what the elements of "fairness" are by a study of organization and individual jobs—the putting down accurately, in writing, the nature of the jobs. In addition to these points it showed the desire, though unexpressed, on the part of the individual, to be treated as an individual on the basis of his merits and the worth of what he is able to do.⁷

The Owens-Illinois Glass Company made a survey of *what employees think* in order to obtain definite ideas as to what the employees wanted to know about the company's plans and procedures and to secure opinions regarding personnel policies.

A booklet of questions entitled "What I Think" was given to all employees. In a short introductory statement on the first page, the president of the company stated the purpose of the survey and encouraged the employees to "say what they honestly think." It contained 26 questions, with a space after each for the employee to volunteer a reply in his own words. No names were signed to the booklets but employees were asked to indicate their department, sex, and rate of pay per hour. About 50% of the employees returned the booklets, which were then sent to the company's general office and analyzed. A detailed report was then sent to the company management. There was one question to a page in the booklet. Here are a few sample questions:

2. Would you like to know more about the company's financial affairs? If so, what particular things would you like to know? (For example: Profits, losses, stockholders, operating costs, etc.)

12a. Do you know how to go about applying for a transfer to another job? If not, what particular things would you like to know about this?

19. Do you think the plant magazine is worth while? How could it be improved?

23. What don't you like about this company's organization? (In other words, what would you do differently if you were running your shift, your department, or the plant?)

⁷ Printed with Mr. E. B. Roberts' permission.

The company used questions that would require thought and written comment. The returns were analyzed on two bases: "First, to give thorough study to individual answers; and second, to attempt an interpretation of common attitudes based on the number and tone of the replies." No statistical method was used. The general conclusions were cataloged under these headings: security, quality, supervisors, seniority, information, wages, working conditions, hours, grievances, promotions, bonus, private affairs, suggestion systems and magazines, bulletin boards, and what the employees liked best about the company.

The principal benefits derived from asking employees what they would like to know were: (1) a most obvious upswing in morale because the management announced that it was honestly asking the opinion of its people as to how it should proceed along any line, and (2) ideas and suggestions to help management shape its information program soundly, and the substantial number of additional thoughts for improving business. Other benefits from this technique are: that it puts management in a position to say from now on, "This is the information you asked for. You wanted it," and further that it eliminates much of the natural suspicion with which the average person might view a sudden release of company information.

J. J. Evans of the Armstrong Cork Company claims that the use of attitude surveys can improve employee relations.⁸ He emphasizes four objectives in conducting an attitude or morale survey:

1. To discover whether employees are dissatisfied with any phase of their work.
2. To disclose situations which might lead to future misunderstandings.
3. To find out employee reaction to company programs and policies.
4. To get suggestions for improvement of work, working conditions, etc.

These four objectives can be accomplished, in his opinion, provided that at the outset two basic principles are observed, namely:

1. That all replies are sincere and definite.
2. That management promises to take action where it is warranted according to the replies given on the questionnaire.

Mr. Evans stressed that the value of a morale survey lies in the fact that it supplements the management's and supervisors' viewpoints on employee relations problems. Employees feel more free to make remarks and give opinions and ideas that they are not likely to express orally.

⁸ J. J. Evans, *Personnel*, November, 1940.

Since supervisors are in closest contact with employees and, therefore, responsible for good employee relations, it is logical that they should conduct the attitude survey.

The morale survey was started in the Armstrong Cork Company after it had been discussed in 23 conference groups of 366 supervisors in different plants. The topics of discussion fell into three main groups:

1. What topics should be covered in the survey?
2. How should the questionnaire be distributed, filled out, and returned?
3. How should the survey be introduced and explained to the employee?

It was finally worked out that the supervisors proposed general questions. Questions must be carefully worded so as to give no possibility of misinterpretation. The wording of the questions should not suggest how they should be answered. Because of this, the exact phrasing was left up to a small group in order to avoid "slanting" the questionnaire. The supervisors brought up 270 questions on personnel and industrial relations which were easily classified into the following groups: working conditions, company policies, hours of work, supervisors, safety promotion, suggestions, general questions about the company, and a small group of miscellaneous questions. After they had discussed several other methods, it was decided that the immediate supervisors should distribute the questionnaires. The filled-in questionnaires were returned in a sealed box in order to insure absolute anonymity.

The survey was introduced to the employee by his immediate supervisor, since he was closest to the employee. Bulletin boards were also used to acquaint the employee with the objectives and benefits to be derived from a morale survey. Special emphasis was placed on the fact that there was no possibility that any statement made by an employee would react to his disadvantage. Employees' representatives were also asked to help put the survey across to the employees.

The survey was first tried out in a test plant, using a questionnaire standard for the company with certain variations to meet local demands. After they had been filled in, the questionnaires were all sent to the general personnel department for tabulation. The replies were punched out on tabulating cards, and from these, statistical reports were made. These reports were sent to the plant manager, the production manager, and the vice president in charge of manufacture.

In various plants of the company, an average of 73.5% of the questionnaires were filled in and returned. The employees' interest and sincerity were evidenced by the 15,693 comments written on the 3,200 ques-

tionnaires that were returned, in addition to checked multiple choice answers. The technique of the morale survey provided management with an accurate appraisal of employees' corporate feelings from the employees themselves, which was valuable in bettering employee relations.

Other examples of the questionnaire method of making morale surveys could be given. One of the leaders in this field was the late J. David Houser, whose excellent report in his book *What People Want from Business*⁹ presents many of the results accomplished by his investigations. It is recommended not only to those interested in morale surveys, but also to those interested in the importance of the various means of motivating workers and improving morale.

Use of Attitude Scales

The third method of measuring morale is the use of the attitude scale. L. L. Thurstone did much of the original research fundamental in the development of attitude scales. H. H. Remmers¹⁰ has developed generalized attitude scales which enable the measurement of specific attitudes, and also a scale which will measure a large variety of attitudes toward a specific subject, such as a job, company policy, and so on.

R. S. Uhrbrock¹¹ used attitude scales in a study of the attitudes of workers and foremen in twelve factories. He found a range of attitudes of workers in the different plants from 5.97, showing indifference, to over 7, a most favorable attitude.

H. B. Bergen¹² devised some attitude scale questions and the scale values for those questions, as shown in Figure 57. In the company of more than 1,000 employees about which Bergen reported, he found a range of average departmental morale scores from 45.9 in the lowest department to 69.4 in the highest, with an average of 57.1 for all employees. These morale averages pointed out to the company the department with lower morale and emphasized where improvement could be made. It also showed where the morale of special groups according to sex, length of service, earnings, and type of work should be improved. It indicated specific personnel practices and policy needing attention.

E. J. Bengé¹³ has written a manual of procedures and has exemplified variations in department morale scores as shown in Figure 58. McGregor

⁹ New York, McGraw-Hill Book Co., Inc., 1938.

¹⁰ H. H. Remmers, "The Analysis of Employee Attitudes," *Proceedings of First Personnel Institute*, Columbus, Ohio, Ohio State University Publications, College of Commerce Conference Series 2.

¹¹ R. S. Uhrbrock, "Attitudes of 4,430 Employees," *Journal of Social Psychology*, Vol. 5, August, 1934, pp. 365-377.

¹² H. B. Bergen, "Finding Out What Employees Are Thinking," *The Conference Board Management Record*, New York, April, 1939, p. 2.

¹³ E. J. Bengé, *How to Make a Morale Survey*, Deep River, Conn., National Foreman's Institute.

ATTITUDE STATEMENT		Scale Value (Factor 10)
I am made to feel that I am really a part of this organization		9.72
I can feel reasonably sure of holding my job as long as I do good work		8.33
I can usually find out how I stand with my boss		7.00
On the whole, the company treats us about as well as we deserve		6.60
I think training in better ways of doing the job should be given to all employees of the company		4.72
I have never understood just what the company's personnel policy is		4.06
In my job, I don't get any chance to use my experience		3.18
I can never find out how I stand with my boss		2.77
A large number of the employees would leave here if they could get as good jobs elsewhere		1.67
I think the company's policy is to pay employees just as little as it can get away with		.80

Figure 57. Attitude Scale

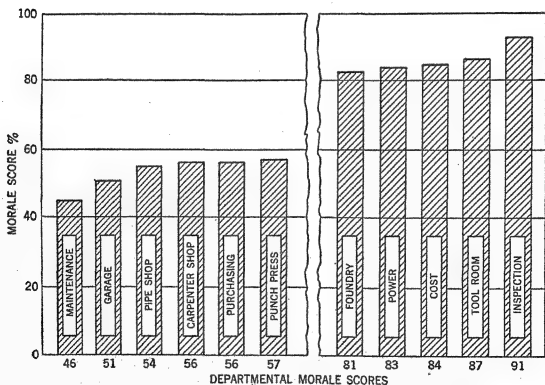


Figure 58. Departmental Morale Scores—Company R, 6 Low Departments, 5 High Departments

(E. J. Benge, *How to Make a Morale Survey*, Deep River, Conn., National Foreman's Institute, 1941, Fig. 15.)

EXPLANATION OF NUMBERED
BARS

The starred (*) items are the ones most subject to the leadership influence.

HELP AND COOPERATION

1. Efficiency of Equipment
- *2. Efficiency of Planning
- *3. Teaching Best Methods
4. Physical Working Conditions

INSPIRATION AND ENCOURAGEMENT

- *5. Giving Interesting Information
- *6. Encouraging Safety Methods
- *7. Encouragement of Initiative
- *8. Opportunity for Learning
9. Broader Knowledge of Company
10. How Interesting Is Your Work?
- *11. Check on Self-Improvement
- *12. Getting Clear Cut Decisions
- *13. Consideration and Courtesy
- *14. Freedom from Favoritism
- *15. Understanding and Appreciation
- *16. Counsel from Superior
- *17. Freedom for Other Counsel
- *18. Criticism in Public
19. Congeniality of Associates

REWARDS

20. Opportunity for Transfer
21. Merit to Govern Promotion
22. Opportunities for Advancement
23. Equal Pay for Equal Work
24. Pay Compared to City
25. Fairness of Pay
26. Time Outside of Business
- *27. Full Credit for All Services
- *28. Job Security for Good Work
29. Security Compared to Elsewhere

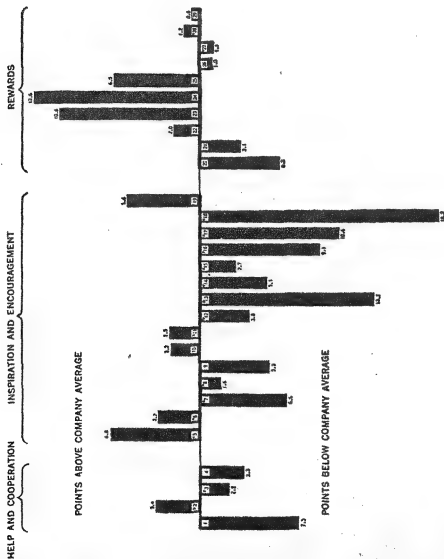


Figure 59. 1940 Morale Profile of a Single Department—Florida Power & Light Company. The leadership in this department was below company average.

(McGregor Smith, "Mending Our Weakest Links," *Advanced Management*, April-June, 1942, p. 81.)

Smith¹⁴ has given a morale profile of a single department of Florida Power & Light Company, as shown in Figure 59.

How to Start a Morale Survey

The value of the counseling, questionnaire, and attitude scale methods of determining morale has been shown by the examples of their use and the results accomplished. A company desiring to make a morale survey can carry out a procedure based on the methods already used in a number of companies:

1. Select someone to be responsible for making the survey.
2. (a) Have conferences with all foremen and supervisors on the subject of employee morale and what makes good employee morale.
(b) Ask foremen and members of management what important questions should be asked to determine employee morale.
(c) Tabulate the questions and select the most important ones. Add other questions which may help solve special problems about which a solution is desired.
3. Devise a questionnaire or attitude scale from the questions so determined and others. As a guide to the items:¹⁵
 - (a) Include all important factors to job satisfaction and production.
 - (b) Be specific and avoid general adjectives, such as "good."
 - (c) Avoid double statements.
 - (d) Avoid questions which have a relation to the answer or are worded so as to influence a desired answer.
 - (e) Questions should bring same answer if asked by different persons.
 - (f) Questions should be short.
 - (g) Questions should not compliment nor shame the person answering the question.

Weight each question according to its value (or relative value).

4. Ask each foreman, and through him his employees, to answer or check all the questions of the questionnaire or scale without signing it.

¹⁴ *Advanced Management*, April-June, 1942.

¹⁵ The author is indebted to W. E. Giese for suggestions on these items. See his M. S. thesis, *Experiments in Evaluating*, Purdue University, Lafayette, Indiana.

5. Tabulate the replies and determine the morale scores by departments, classifications, and personnel factors.
6. Devise methods, through conferences with those concerned, for the improvement of morale where the results show such is needed. Follow up the plans to see that they have been carried out.
7. Check periodically on morale and improvement methods by repeating the procedure.
8. Apply modern personnel and industrial relations methods and techniques for the improvement of morale.

Making a morale survey is one of the steps which management can take to apply democracy to the company, for it means obtaining the opinions of the employees and developing policies to fit those opinions as closely as possible. It gives the employees an opportunity to express their opinions, which is an essential in a democracy.

CHAPTER 13

SAFETY

Safety, the prevention of accidents, has as its most important purpose the prevention of the loss of life because of accidents, and the loss of happiness or parts of the body because of preventable injuries. It is human in all of its aspects, not only the prevention of human suffering from the sufferers' point of view, but also the prevention of hardship and worry by families of the sufferers. The employee in industry owes it to himself and his family to work safely in order to protect his wages, his ability to work, and the income of his family.

The employer owes it to himself and his employees to promote safety in order to prevent the employees' human and preventable losses and to prevent the loss of production and money because of accidents. This involves the human approach to safety through personal relationships between the employer's safety organization and the employee. By providing and maintaining safe working conditions, the employer frees the employee from the caution and worry which prevents full production. Safety gives the employee the self-confidence necessary for effective work. It promotes good work. If the employee worries about not being safe, he cannot do his best work. The universal slogan—*Safety First*—has rightfully become a common expression to American workers.

Number and Types of Accidents.—In 1942, there were 9,200,000 accidental injuries—93,000 deaths, 320,000 permanent disabilities, and 8,750,000 temporary total disabilities. Of these injuries, 1,800,000 were occupational, 4,600,000 were in the home, 1,000,000 were motor vehicle, and 1,700,000 public (not motor vehicle). The total accidental injuries cost about \$5,200,000,000 in wage loss, medical expense, overhead cost of insurance, property damage, and the "indirect" costs of occupational accidents. The occupational injuries in industry cost \$2,300,000,000, comprising \$620,000,000 in wage loss, \$100,000,000 medical expense, and \$300,000,000 for insurance, overhead, and \$1,300,000,000 "indirect" costs. These figures are staggering. If a riot occurred in this country and 93,000 (the number of accidental deaths in 1942) people were killed, the nation would be stirred to righteous indignation; but when they are killed accidentally, there is no uprising.

TABLE 10. CAUSES OF ACCIDENTS AS DETERMINED BY THE
NATIONAL SAFETY COUNCIL

Industrial Accident Cause Studies	National Safety Council Studies		
	No. 1 1,000 Serious Cases	No. 2 4,800 Serious Cases	No. 3 1,000 Cases
UNSAFE ACTS			
Total Cases		100%	100%
Overloading, poor arranging		7	10
Unnecessary exposure to danger		25	27
Unsafe equipment, improper use of equip- ment		15	16
Non-use personal protective equipment		9	15
Working on moving or dangerous equip- ment	Not tabulated	14	6
Improper starting or stopping		9	5
Operating at unsafe speed		3	7
Making safety devices inoperative		5	1
No unsafe act		13	13
MECHANICAL CAUSES			
Total Cases	100%	100%	100%
Hazardous arrangement, procedure	34	34	34
Defective agencies	15	15	18
Unsafe dress or apparel	9	6	15
Improper illumination or ventilation .....	..	1	2
Improper guarding	27	25	9
No mechanical cause	15	19	22
PERSONAL CAUSES			
Total Cases	100%	100%	100%
Improper attitude	48	50	31
Lack of knowledge or skill	35	30	48
Bodily defects .....	..	2	3
No personal cause	17	18	18

N.S.C. Study No. 1—1,000 permanent disabilities and deaths, representative cross-section of industry.

N.S.C. Study No. 2—4,800 permanent disabilities and deaths, total cases reported in detail.

N.S.C. Study No. 3—1,000 cases, including temporary total disabilities, heavily weighted by the experience of a few large companies.

(*Accident Facts*, Chicago, National Safety Council, 1943, p. 16.)

It has been estimated that the 4,000,000 workers injured in 1942 on and off the job caused a loss during the year of 380,000,000 man-days, enough to build 13,000 heavy bombers or 39 battleships. In peacetimes, a similar amount of production and standard of living is lost; most of it needlessly.

These costs are tremendous but the suffering, loss of security, and the general lowering of human happiness of the injured worker are

almost beyond human conception when such a large percentage of these accidents can be prevented.

In general, it is accepted that about 90% of all accidents can be prevented. H. W. Heinrich¹ has estimated that 98% of the accidents are preventable. Industries vary greatly in the frequency and severity of accidents. Also, companies within industries vary greatly, as do the types and causes of accidents within a company.²

The causes of accidents in 1942 as determined by the National Safety Council from 4800 cases are shown in Table 10. Two out of three accidents were found to have both personal and mechanical causes. The types of accidents³ and the parts of the body affected⁴ were:

Types of Compensated Occupational Accidents		Parts of Body Affected Per Cent of Cases	
Handling objects	24%	Eyes	4%
Falls	18	Head (except eyes)	7
Machinery	12	Arms	9
Vehicles	9	Trunk	20
Falling objects	10	Hands	8
Hand tools	8	Fingers	22
Stepping on or striking against	8	Legs	13
Others	11	Feet	8
		Toes	5
		General	4

The figures are important from the standpoint of causes. In general, accidents can be prevented by an adequate safety organization carrying out good safety activities.

Organization of Safety Work

For successful safety work, it is essential to place a definite program in the hands of someone who can and will assume the responsibility. It is usually the practice for one man to be responsible for the progress of safety work in an entire plant, whether it is large or small. He is usually called a safety director or sometimes a safety engineer or safety inspector. The safety director may have assistants under him in the various departments of the company. In a large plant the safety division is included in the personnel department on the same basis as the health and employment divisions. The large plant safety organization can be

¹ H. W. Heinrich, *Industrial Accident Prevention*, New York, McGraw-Hill Book Co., Inc., 1941, p. 19.

² See *Accident Facts*, Chicago, National Safety Council, 1943 (also issued yearly).

³ *Accident Facts*, Chicago, National Safety Council, 1943, p. 14.

⁴ *Ibid.*, p. 20.

adapted to the small plant simply by reducing the number of officers and the extent of the activities. The safety man in a small organization may have responsibilities other than safety.

The aim of all safety activities should be to educate supervisors to assume responsibility for the safety of the workers under their supervision. The safety director should act under a staff capacity, and his activities should be principally advisory or consultative. He may have meetings with foremen to discuss safety problems and to execute company policies regarding safety in the plant. The foreman can educate his working force to appreciate the importance of safe practices. He thereby, through his efforts to maintain safe conditions within his department, strengthens his own position among his workers by increasing their respect for him and improving employee relations or "employee morale." It has even been said that "Safety is the world's best good will builder." A foreman who is completely "sold" on safety will inculcate a similar attitude among the workers.

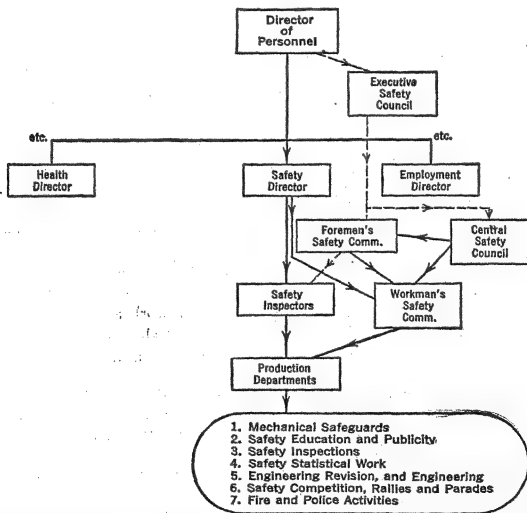


Figure 60. Safety Organization Chart

The responsibility for an effective manipulation of a good organization plan can be definitely divided into four main groups: the management, the director, the foremen, and the workers.⁵ A typical organization plan for a large plant is shown in Figure 60.

Results of Accident Prevention

Safety work started forty years ago in order to "keep accidents at a minimum"; but as it grew, the present idea of "preventing accidents" resulted. The new conception evolved from the belief that the employee was responsible for accidents because of carelessness; to the belief that some accidents are bound to happen; and finally that when they do occur, they bring with them inefficiency and losses to both employer and employee. In cases where an accident could have been prevented by safeguarding or other safety provisions, it was not necessarily the employee's fault, even though it may have occurred through lack of cooperation on his part. The responsibility for safety has shifted from the employee to the employer, and, with this change, safety work has produced far greater and better results.

The idea of positive safety holds that it is necessary for the worker to be absolutely free from risk before he can produce. For example, in positive safety, a punch press operator must have both hands on levers so that they will be perfectly guarded against danger before the press can function. It is often difficult to achieve positive safety on machines without reducing production at the same time; but by careful study it can usually be done, and in many cases the output can be increased. Positive safety offers a large field in accident prevention and study. The design, construction, and maintenance of machine guards which effectively eliminate the "human element" are the sole examples of such a degree of safety. Only when a machine guard is entirely mechanical in operation, can it be entirely positive.

A good example of one corporation's safety work as early as 1926 was described by James J. Davis, Secretary of Labor, to E. H. Gary, then president of the United States Steel Corporation, as follows:

Accident statistics for the iron and steel industry have been kept in the Bureau of Labor Statistics of this Department going back to 1907, during which time the Commissioner of Labor Statistics informs me frequency accident rates in the industry have dropped from 80.8 per one million man hour exposure in 1907 to 30.8 in 1924, and that the severity rates have dropped from 7.2 to 3.

⁵ For a full description of such an organizational plan, see the author's *Applied Personnel Administration*, New York, John Wiley & Sons, Inc., 1931, pp. 291-295.

More satisfactory still than this is the achievement of a smaller group of plants composed largely of the United States Steel Corporation's subsidiaries, and in which more energetic and systematic methods have been installed and tenaciously adhered to. In this group of plants the frequency ratio has dropped from 60.3 per million hours of exposure in 1913 to 10.2 in 1924, and this group contains nearly one half of the iron and steel industries in the United States.

What especially pleases me is your reported statement that the United States Steel Corporation has found that accident prevention and safety work really pays from a dollar-and-cents point of view. You are reported as having stated that the United States Steel Corporation in ten years spent \$9,763,063 in accident prevention work and that the money saving resulting therefrom had been \$14,609,920 in addition to the fact that 250,000 men had been saved from injury, and probably more than 40,000 had been saved from fatal injury.

The National Safety Council ⁶ has reported from 30% to 90% reductions of accidents in fifteen companies. In 500 Ohio companies, there was a reduction of from 25% to 75% in the number of accidents after the establishment of safety departments. These results and many others prove that safety work pays, is effective, saves life and limb, increases production, makes for efficiency and confidence in the company, and gives comfort and happiness to all concerned.

Safety Activities

Safety activities may be divided into the following seven classifications:

1. Mechanical safeguards
2. Safety education and publicity
3. Safety inspections
4. Safety statistical work
5. Engineering revision and safety engineering
6. Safety competitions, rallies, and parades
7. Fire and police activities

Mechanical Safeguards.—About twenty years ago it was estimated that nearly 20% of the accidents could be prevented by mechanical safeguards. Since the safety idea has been applied to the design of machines and to engineering appliances, in the form of mechanical safeguards, they have become more accident-proof. As early as the 1927 National Safety Congress, it was estimated that only about 10% of the accidents could

⁶ *Records in Accident Reduction*, Bulletin No. 189.

still be prevented by their use. Each conscientious employer can easily endeavor to see that every mechanical hazard is mechanically guarded. This safeguarding not only prevents accidents, but also has a good morale effect upon the workmen, for the visible sign of actual protection is a splendid means for the employer to convince the employee that he is endeavoring to make the plant devoid of risks for him. Mechanical safeguards usually involve a low installation and maintenance cost as compared to the costs of accidents.

There are several general ideas about mechanical safeguards. Whenever possible these guards should be hinged, attached to the machines and not to the floor, and the machines should be easily oiled, cleaned, inspected, and repaired. They should be strong enough to resist the weight that is put on them and still keep their shape. They should also be fire-proof, and where the cost is not prohibitive, they should be made of metal. When not in place, they should automatically prevent the operation of the machine until they are in place again. The guard should not wear on the guarded parts.

The following descriptions of some of the mechanical safeguards and safety appliances and practices⁷ apply mainly to the materials and machines seen in the average mechanical shop:

Ladders should be of solid material, free from knots and other defects. Worn rungs should be replaced. Nonslip bases and feet should be standard equipment for all ladders. For wooden floors, metal points are recommended, and for concrete, metal shoes or carborundum is recommended. They should be kept in a storeroom and not left standing.

Stairways should replace ladders for a descent or ascent of 50 degrees or less from the horizontal. Handrails should be provided on each side of stairways. All stairways should be enclosed where possible. Risers and treads should be safe and not slippery.

Platforms should be surrounded with special railings 42 inches high and of good, strong, and smooth material.

Gear and friction drives should be completely encased, with side flanges to prevent fingers from getting under them. Guards for vertical belts, ropes, and chain drives should extend at least 6 feet above the floor. Handrails can be used if a clearance of 15 inches or more is allowed. Horizontal belts, ropes, and chains, 7 feet or less, should be guarded, and the guards should extend 15 inches above the belt and should be at least 42 inches high.

Flywheels, crank shafts, large pulleys, and fans should be well guarded. If the guard is within 6 inches from the rim of the wheel, it

⁷ These specifications may vary slightly in different states, by law or rule.

should be 5 feet high. Flywheels which run in pits should be provided with 6-inch toe guards around the pits.

In *stopping machines* not individually motor driven, a clutch or some other adequate means of stopping the machine quickly should be provided. Mechanical belt shifts should be provided instead of shifting belts by hand.

Electrical hazards should be well guarded. All live parts of electrical equipment should be adequately protected by safeguards. All switch boards should be protected by substantial railings and warning signs. Electrical switches should be equipped with starting boxes enclosed to prevent any contact with the hands. All rotating parts should be guarded so that the hands cannot be placed near the moving parts.

Good housekeeping and orderly conditions prevent any accidents which result because of lack of order. Aisles should be straight and marked off with lines painted on the floor. Strict rules against leaving objects in the aisles should be observed. Methods of handling and piling material should be well thought out to prevent slipping and stumbling, overstrain, catching between objects handled, and dropping objects and tripping over them. A detailed inspection rating report sheet for checking good housekeeping conditions can be used.⁸

Clothing which is loose and torn increases hazards of work near moving machinery. Safe clothing should be worn. One-piece garments fitting close to the ankles, waists, wrists, and neck, and without loose flaps are recommended.

Gloves should be such that they will not catch in moving parts of machinery. Women's clothes should have no ribbons, belts, etc., catchable in machinery. Anything on clothing which could be caught in moving parts should be avoided.

Grinding wheels should be provided with a substantial hood connected with an exhaust fan to remove the dust.

Woodworking machinery should be equipped with their proper guards. Jointers and planes should be equipped with jointer heads and guards for cutting blades. Circular saws should be equipped with a guard which entirely covers that part of the saw above the table and yet allows the unhampered use of the saw blades. Band saws should be completely enclosed with solid sheet metal or heavy wire netting; both the upper and lower wheels of the band saw should be enclosed. Hand tools should be kept in good condition. Hammer heads should be square; files and chisels should have handles securely fastened. Power hammers should

⁸ The report in Revere Copper and Brass Incorporated covers: orderliness, cleanliness, scrap and rubbish, tools supplies, materials, power (wastage and leakage), lighting and ventilation, maintenance, safety, and general.

be guarded to prevent accidental tripping; lathes should contain guards over all end gears. Drill presses should contain guards over the top gears and all other exposed gears where clothing, fingers, and other parts of the body may be caught. Milling machines should have guards to prevent, as nearly as possible, hands and fingers from slipping into the running and cutting tool. Similarly, all moving parts of all machines should be guarded. Injuries should be immediately looked after.

Goggles should be worn where injury to the eyes is possible.

Safety Education and Publicity.—Organized safety education can prevent the greatest number of industrial accidents. For the most part, plants are fairly safe from the mechanical safeguard point of view. The workmen must now be trained to be careful and to know what to do in emergencies. They will sometimes tire of vigilance and will disregard protective devices unless safety education is continually emphasized. It is necessary to keep everlastingly at it; for unless there is a continuous educational campaign, together with steady enforcement of safety principles, the safety work will not be effective.

Safety education and publicity should include bulletin boards, posters, and handbooks. Bulletin boards should be of sufficient size, painted an attractive color, enclosed in glass, and well lighted. For this purpose the ones suggested by the National Safety Council are to be recommended, as well as safety posters of all descriptions. Safety articles should appear regularly in the plant paper, and every means should be taken to keep the subject always before the employees.

Safety handbooks, including the safety rules of different departments, have served to stimulate interest. They are found in most of the plants which have definite safety programs.

Safety instruction should be given without too many *don'ts*; it should be positive and not negative. For example, a certain worker, after being introduced to a machine and instructed not to put his hands behind the guards, did so through curiosity, with the result that he lost his hand. The reasons for safety on the job should be fully and carefully explained.

An important part of safety education is the instruction of those who are to do and direct the safety work. The intensive short course developed by the United States Office of Education and the United States Department of Labor and offered under the Engineering War Training Program of the United States Office of Education is a good example of such training.

Safety Inspections.—Safety inspectors usually make inspections with foremen and departmental committees. Everything in each department is inspected in an endeavor to find out where an accident might be pre-

vented. If unsatisfactory conditions are disclosed, plans for improvement are discussed during the inspection, and the defect is remedied as soon as possible. The foreman is often helped in this respect when the physical conditions of his department are checked up and found in need of safeguarding. During every inspection, emphasis should be placed on safeguarding programs, improved general housekeeping, and searching for places where an accident could happen. The safety director or inspector can materially assist the foreman in making a detailed and precise safety report for his department.

Without the application of a suitable incentive plan, no safety inspection program can be entirely successful. A positive, rather than negative, approach might be applied, in order that everyone concerned will appreciate the fact that he will receive suitable recognition for his efforts to maintain good mechanical conditions and orderly surroundings as well as penalties imposed for his failure to do so.

It is often advisable to change the method of executing an accident prevention program, in order to eliminate monotony. Many of the procedures applied by advertising organizations can be successfully employed in safety activities, because safety must be constantly "sold" to workers. Here again, the "incentive plan" is effective.

Safety Statistical Work.—Records of all accidents are usually kept in the safety department and are studied in relation to all departments. Regular weekly and monthly reports can be given to the management on all causes of accident and their relations to the various departments. Each foreman can be furnished with a copy of the report concerning his department, and be made to feel that it is his individual responsibility to prevent accidents. Analyses are generally made of all accident records and are sent to all concerned. Records and reports should convince the management that safety work pays both the employer and the employee.

Engineering Revision and Safety Engineering.—Improvement and revision of mechanical equipment and processes in order to eliminate accidents, and at the same time maintain or increase production, should be constantly studied by all concerned with safety, and especially by the safety director. Safeguards do prevent accidents, but sometimes they hinder production. A few years ago, guards were often placed on punch presses and similar machines to protect the operator's hands against being caught, even though they decreased his speed and production. Such practice led to difficulty until the modern mechanical feeding devices were installed, which not only prevented the hands from feeding the material at the improper time but also increased production. All machinery in the plant might be studied from this point of view. Engineering

revision is still a broad field for the application of engineering to accident prevention, especially in regard to safeguards and to the design of safe machines.

Safety Competitions.—A successful method of keeping safety before the attention of all in a plant is to carry on competitions. Safety parades and safety rallies are also a help. A description of a safety competition of the Delco-Remy Corporation follows:

Our Safety Division is in charge of an engineer who devotes his entire time to safety work. For a number of years we have been guarding machines and hazardous operations and using safety appliances and devices on a rather large scale. Our safety record has in the past been fairly good. However, it has been our experience that no matter how carefully the machines were guarded, we still had accidents of a preventable nature. In order to get both the operators and management to think more along safety lines, our safety director has launched the following plan: each plant has a safety flag that flies over the plant but is taken down when a lost-time accident occurs and remains down till the end of that shift. Each department in that plant, likewise, has a safety flag which is handled in the same way. A spirit of competition has arisen between the departments and between the plants. Both the foremen and the operators are on the alert to see that no accident occurs in their department and that they are not responsible for pulling the flag down. The reduction of lost-time accidents has been remarkable. We do not expect to have a perfect safety record, yet we can recommend such a plan as a very good way to get the operators to "think safety."

Fire and Police Activities.—The fire and police activities of the plant, usually included as safety work, should be studied from the preventive standpoint. Fire drills should be carried on regularly and the plant amply protected and policed.

The Individual and Accident Prevention

Even though all of the activities mentioned previously have been performed or carried out by the employer, an individual employee may have certain characteristics and be influenced by certain factors which cause him to have a proneness for accidents. Joseph Tiffin⁹ and Viteles¹⁰ have well explained how an employee tends to keep his same relative accident rate from one time to another, by showing that each employee has rela-

⁹ Joseph Tiffin, *Industrial Psychology*, New York, Prentice-Hall, Inc., 1942, Ch. 11, "Accident and Safety."

¹⁰ Morris S. Viteles, *Industrial Psychology*, New York, W. W. Norton & Co., 1932, Ch. XVI, "Safety at Work."

tively the same number of visits to the hospital because of injuries from year to year. Tiffin¹¹ has shown that among 9,000 steel workers those who had nine visits the first year of the study, still had over five the second year. He indicated that the difference of over five remaining the second year shows certain accident proneness caused by individual psychological and physical factors within the employee, such as vision, age, service, emotions, intelligence, and others. Besides this personal proneness, many external factors are related to accident proneness, such as working conditions, attitude of the management toward the employee, hours of work, and mechanical and technological factors.

Although it may be difficult to tell the exact degree of an individual's accident proneness, something has and can be done to show it. Men with the same accident proneness may be prevented from having accidents according to the degree of safety activities by the management and the extent to which the employee is willing to practice those activities.

National Safety Council

A discussion of safety would not be complete without a word about the National Safety Council, Chicago, which has probably done more for safety than any other organization. It is a nonprofit, nonpartisan organization for the promotion of safety, sanitation, and health in industrial, public, and home life. It was founded in 1913, when a group of employers, appalled by the useless and unnecessary sacrifice of life and limb which occurred every year, determined upon a relentless fight against the causes of accidents. They realized that only through organization and teamwork could anything of great value be accomplished. With this dominant idea they formed the National Safety Council through which their united activities might function by the interchange of experiences. Year by year the Council has grown stronger, and subsequently its members, benefited by the cooperation and growing service of the organization, have reduced the number of their accidents. They have made their plants and their industries better and safer places in which to work.

The Council has a membership of many thousand industrial concerns, government departments, insurance companies, schools, libraries, as well as miscellaneous organizations and persons. Its influence is felt throughout more than ten thousand workshops and among more than ten million workers, and its scope has grown from a national to an international field.

¹¹ See Tiffin's *Industrial Psychology*, p. 286.

Each year, at the Annual Safety Congress, the members of the council elect directors. These in turn elect an executive committee, and this committee selects the paid and unpaid officers. Headquarters activities of the council have an Industrial Safety Division and a Public Safety Division. Each is devoted to its own wide field of safety interests. The Industrial Safety Division supplies the service for members among the factory and miscellaneous trade and workshop groups, transportation companies, and insurance companies interested in industrial coverage. The Public Safety Division supplies the service for members interested in better streets, highway and home safety, fire prevention, school safety, and other problems. Special attention is given to safety education through normal and teacher-training institutions, elementary schools, and all other public and parochial schools. Community safety councils have been founded in sixty-seven leading cities of the country to cooperate with the National Safety Council.

The fundamental activities of the council are: illustrated safety posters, comprehensive small plant service, engineering consultation service, *The National Safety News* (monthly), motion pictures and slides, statistics showing causes and remedies of accidents, Annual Safety Congress, home health features, community surveys, safety library, lessons for automobile drivers, articles and cartoons for plant magazines, safe practice pamphlets, regional conferences, illustrated press service and radio talks, attractive bulletin boards, and school safety lessons.

Workmen's Compensation

One of the government's early attempts to regulate industrial relations was workmen's compensation legislation to provide benefits to an employee who became injured in the line of duty. Employers have always been liable for negligence resulting in injury to their employees at common law, but they also had many common law defences for accidents. The principal defences were that the employee assumed the risk of injury upon accepting employment with the company; that the injury occurred because of contributory negligence on the part of the employee; and that the injury was caused by negligence of a fellow-worker. The employee, often with little time or money, found it difficult to obtain a judgment, and when a judgment was obtained, it was usually costly to him.

Labor organizations and employees individually and by groups began to urge definite regulations of the payment of benefits for industrial accidents. It became evident with the growth of modern industry, the speed-

ing up of processes, and the development of machines that accidents and diseases were incident to or happened in the necessary course of the operation of industry. It was recognized that no employee is perfect in his actions, and that his attention to his work cannot humanly be 100%. Therefore, some accidents were considered as incident to the industrial processes, and not preventable, for which reason they should be compensable.

The first attempt at federal regulation for accident compensation was the Federal Liability Act of 1906 for employees on common carriers, the railroads. This Act was soon held invalid because it did not apply to employers engaged in interstate commerce. This was soon followed by a similar Act in 1908. The earliest compensation acts were those of the states; Maryland having passed a law in 1902 where benefits were allowed for injury without suit and without proof of negligence. New York passed a statute in 1910. This was declared unconstitutional, but a valid law was later passed in New York in 1913. Ten more states passed them in 1911. By 1921, forty-two states and three territories had passed these laws. Up to the latter part of 1941 all states but Mississippi had Workmen's Compensation Acts.

All these acts had to be constitutional. The principal hurdle in this respect was the Fourteenth Amendment to the Constitution, which guaranteed equal protection to all persons and the right to protection of the due processes of law. Not until 1917 did the United States Supreme Court declare an entire compensation act constitutional. A good example of a compensation law is that of the Indiana Workmen's Compensation Act of 1929 as amended in 1933.

Industrial companies protect themselves from liability for workmen's compensation by compensation insurance with commercial insurance companies whose rates are set by the National Council on Compensation Insurance. This Council is made up of representatives of labor, employers, and insurance companies. The expenses of this Council are financed by the companies. The work of the National Council is supplemented by state councils. The rates are figured each year by the National Council, and each insurance company can charge only those rates based upon losses incurred in the various occupations. For example, in 1938 the compensation rate for clerical workers was \$.07 per \$100 of wages; sales, \$.46; carpenters, \$3.00; steel workers, \$22.31; and in Indiana in case of death, \$5,000 benefits.

A great amount of industrial safety work has been stimulated by the passing of the Workmen's Compensation Acts under which the employee is compensated, according to provisions in the law, for accidents arising from his employment. In many states the reimbursement is fixed at two-

thirds of the weekly salary with the maximum and minimum amount payable, ranging from \$5 to \$45 in different states. Fixed sums are payable for some accidents, and for others compensation is allowed for a specified number of weeks. In case of death, the amount is usually definitely fixed in a lump sum payable to the dependent or a payment of so much per week or per month for a specified time. The differences in the benefits provided by the Workmen's Compensation Acts of various states can be seen in a summary provided by the U. S. Bureau of Labor Statistics.¹²

¹² "Minimum and Maximum Benefits under Workmen's Compensation Laws by Extent of Disability and by States," *Monthly Labor Review*, September, 1938, pp. 578-579.

CHAPTER 14

EMPLOYEE SERVICE WORK

Employee service work has been introduced in order to improve the industrial environment, to provide opportunities for keeping employees mentally and physically fit, and to strengthen the morale of the whole organization. Satisfactory industrial practices in regard to employment, training, wages, turnover, and collective bargaining have all added to the welfare of the employee. The conditions which surround the worker should also be satisfactory so that he will not have to struggle to overcome them in order to do good work.

Service work earns its name because service is rendered for and by the employee. It was formerly called "welfare" work, but as such it came into bad repute because employees felt that it was charity and too paternalistic. It may be true that welfare work was carried on at first from charitable motives; but the companies stressed the fact too much and employees naturally resented it. For these reasons welfare work was at times called "hellfare" work.

Employees sometimes felt that welfare work was designed to replace full justice in wages and that the money expended for it should have been put into their pay envelopes. Management took the attitude that if each employee had his small share of this amount, he could not individually secure the advantages which could be provided for him when his share was pooled with that of his fellow-employees. Generally, employers emphasized too much what they were doing for the employees and did not explain that proper service activities should enable the employer to increase the earning power of each employee. Not until employees began to share the management of these activities did service work become recognized as a valuable aid to both parties. As antagonism eased, some companies continued to use the name welfare work because if a company has the wholehearted support, loyalty, and cooperation of its employees, the name of a particular service is not so significant.

It is customary to have both employees and employer represented in the management of service work. Furthermore, employees should share largely, for without their approval, service work can hardly be effective. It is also necessary that these services act as incentives to the working force. The crucial tests of the value of service work are: that it has the

wholehearted approval of the employees; that the employees feel that it is at least partly their own plan; and that the service work should be an incentive.

Activities included in service work will vary according to the needs and environment of various companies. They are concerned most commonly with thrift plans, such as insurance, mutual benefit associations, stock participation, saving and loan financing; recreational and social activities such as clubs, athletics, dramatics and musical meetings, dances, parties, picnics, rest rooms, locker rooms, etc.; suggestion systems; housing, gardens, and parks; plant magazines; restaurants, lunchrooms, company stores; legal aid, and many other services.

In large organizations this work is usually supervised by a service manager who is associated with the personnel director. As a rule it comprises one of the divisions of the personnel department and is on a par with employment, health, safety, and training divisions. The manager is responsible for the proper functioning of the division and particularly for securing and keeping the cooperation of the employees in regard to its utilization and administration. When there is no service manager, this work is supervised by the personnel director and applied by his assistants. In smaller plants a minor executive usually performs it along with other duties. Practically all effective work is done co-operatively, by representatives on committees of management and employees. It has been found that the success of this work in industry depends upon whether it is carried out along broad comprehensive and cooperative lines.

Industrial Thrift Plans

A large percentage of employees in most companies give very little attention to the proper handling of their own financial affairs. They do not practice thrift, and often they are unable to meet financial emergencies when they arise, such as paying insurance premiums and taxes, and making mortgage payments. They do not save systematically in order to prepare for the future. For this reason the employer, in co-operation with employees, has sought to provide certain thrift activities with the object of affording protection against losses caused by sickness, accident, and death; of promoting fellowship and good feeling between employees and management; of eliminating the voluntary contribution of funds for disabled employees and charity; and of setting up a systematic and businesslike method for meeting financial emergencies and preparing for the future. The importance of an incentive for thrift among the workers has been strongly felt, because so few of the rank

and file save systematically without cooperation, and because those who do save systematically have been found to be more efficient and dependable. Employers were formerly of the opinion that when they paid good wages, they had no reason to concern themselves with how the money was spent. Insurance, mutual benefit association, stock participation, savings plans, loans, and building and loan associations are included in this program.

Insurance.—Insurance is an economical type of financial aid for the worker, for it gives him a feeling of security. The reassuring thought that provision has been made against the uncertainties of life is very conducive to personal contentment and attention to work. Many insurance plans were tried by unions, fraternal orders, benefit societies, and lodges before industry took up the idea. In spite of the fact that they were honestly conducted, some of them failed because of lack of accounting knowledge and actuarial skill. Finally, employers took up the matter on an actuarial basis, with the result that it has produced a more stable working force. The important industrial insurance plans will be described individually.

Group Insurance.—Group insurance is a form of life insurance, and sometimes other types, maintained by the employer and his employees. The employer may also carry other kinds of insurance such as that which provides employees with workmen's compensation and employer's liability. As the employer is liable under workmen's compensation laws for injuries to employees, the latter plan is an advantage to him and at the same time assures the employee that he will not have to go to court for certain benefits.

Group insurance covers all employees, whether individually insurable or not, which is a great help to workers with slight physical disabilities. It also takes in a high percentage of employees who would not buy life insurance of their own accord. Employers have found it economical because, through promoting a more careful selection of insurables, labor turnover has been reduced. Its low cost and sound principles also add to its increasing acceptance. There are disadvantages to this plan, for it deprives the workmen of an incentive of acting for themselves and it does not operate for small groups. The fact that group insurance has expanded so greatly and has been adopted by so many companies in recent years, proves that its worth has been recognized.

Many group insurance plans today provide life, accident, hospitalization, and salary insurance for every employee who has been in continuous service to the company, usually for one year or more. In some companies it is as low as for six months. The amount is based upon either salary

or length of service. Each employee receives a policy, the cost of which is borne by the company, or company and the employee. An effective group insurance plan, somewhat all inclusive, is that of the L. S. Ayres and Company of Indianapolis, Indiana.

Mutual Insurance.—Mutual insurance is somewhat similar to group insurance except that the employer has little if anything to do with it. The employees form groups, take out insurance, manage the plan, and pay the premiums themselves. Sometimes it is not a success because some employees do not keep their premiums paid promptly and because the group may not know how to manage the plan efficiently. The company may also work out its own plan or take it from a regular insurance company. There is also a combination of these last two plans under which employees and management take out insurance and pay for it jointly.

Individual Employee Insurance.—Individual employee insurance is what the name implies. Each employee takes out his own insurance as he sees fit and pays for it himself. The company usually encourages it. For example, the Western Electric Company carried on an extensive insurance encouragement program. Pamphlets were printed, articles were written in the plant magazine, and informative talks were given. The information embraced the kinds of policies, rates, and amounts to take according to pay.

Mutual Benefit Associations.—The mutual benefit association is an organization of employees who pay small fees into a fund, from which amounts are paid to workers for medical attention and care during periods of sickness and accident, and upon death for funeral expenses. Formerly, if an employee became sick and disabled, in order to meet the emergency, it may have been necessary for him either to go in debt or to accept a voluntary contribution. Because of its charitable and unbusinesslike aspect, the situation became unsatisfactory to employees as well as to employers. Therefore, mutual benefit associations were organized in order to provide a systematic and cooperative means of assistance. Before the establishment of these associations, relief was uncertain and often inadequate. These associations are semi-voluntary; that is, the companies usually say that membership is up to the individual, but at the time of employment in many companies, pressure is more or less brought to bear and public opinion makes membership almost obligatory. It is financed by the deduction of a small amount (from 10 to 25 cents each week) from the pay of each employee. As a rule, over 95 per cent of the employees belong to these groups. In many companies they are called relief associations.

Benefits are usually paid for a limited period of time after so many days of sickness or leave because of accident. The amount of money varies according to the pay of the employee or his dues. In some associations both sick and death benefits are paid, while others provide old-age benefits and compensation for unforeseen loss of wages. The best associations are managed jointly by representatives from both management and workers. To be successful and financially safe, the association must be run on a sound accounting, business, and actuarial basis. Some companies replace the activities of a mutual benefit association by granting a man a reasonable sick leave with pay or partial pay, in addition to his regular vacation. This last plan saves the expense of deducting the small amount from the pay envelope.

Stock Participation.—The opportunity to invest systematically in their companies' stock has caused over a million employees to take advantage of the offer to own stock in their companies. If a company is financially sound, an employees' stock participation plan can be operated efficiently for financial gain and the promotion of thrift among employees; for building good will and developing cooperation between employer and employee; and for the reduction of labor turnover. There are dangers if a company is financially shaky or the value of the stock declines, because such a plan may cause employees to lose confidence in the company. The practice of employee stock participation is found more generally in the larger and more secure companies. As bankers usually encourage their clients to diversify their investments, such concentrated investment may not be popular with them.

In the Western Electric Company, "Any employee who has had at least six months' service with the company is eligible to purchase A. T. & T. stock on the salary deduction plan. The deductions amount to \$.75 a week or \$3.00 a month, and the Company credits interest on these deductions at the rate of 7% compounded quarterly. Each employee is allowed to purchase one share for each \$300 of his annual salary. More than 60% of our employees are taking advantage of this privilege and at the present time are saving more than \$10,000 a day under this one plan alone."

G. A. Bowers made a study and classification of over 150 stock participation plans.¹

Savings and Loan Financing.—The savings plan is sometimes regarded as educational in that it is the opportunity of each employer to

¹ For the classification of these plans, see *Employee Investments in Company Securities*, American Management Assn., Convention Series No. 35.

teach or to show the employee, who usually does not know businesslike saving principles, how to save and to learn business principles profitably.

The usual savings plan involves deducting from the employee's pay an agreed amount and depositing it to his credit in a specified bank. Then, as a thrift incentive, the company often adds an amount in proportion to the amount saved. As savings tend to accumulate rapidly, the employee is impressed and encouraged. Such a plan necessitates family budgeting, encourages home building, and provides funds to meet emergencies.

Loans to help take care of emergencies which arise are valuable because they tend to produce more confidence in the company. It is often distasteful for an employee to go before the management or a committee for a loan; therefore, some provision should be made whereby the employee can secure approval for his loan by someone who will be friendly and close to him. Credit unions have been formed in many companies under provisions (charters) granted by the state laws or the Federal Credit Union Law.²

The building and loan association is another thrift plan which merits attention and encouragement by the employer. Usually the demands on companies for loans for the purpose of building homes by their employees are so great that it is often logical to form associations primarily for that purpose and organize them under a charter from the state.

The Wise Use of Leisure Time by Employees

The growth of leisure in normal times is important because an increase in leisure is considered by some people as an increase in the welfare of the person receiving it. Professor Paul H. Douglas said, "The worker's real income consists not only in commodities and services but also in leisure. An increase in the latter is as worthy of being chronicled as is an increase in the former."³

From 1899 to 1929, the average hours of work per week decreased 11.2 hours per week or 19% in thirty years; whereas from 1929 to the depth of the depression in 1933, hours decreased 14.4 hours per week or 14% in four years, about three-fourths as much in the latter four years as in the previous thirty years. From 1899 to 1933, the average weekly hours of work decreased from 59.6 to 34.0, a decrease of 25.6 hours or 43% in thirty-four years. During World War II, hours of

² Information on credit unions can be obtained from the Credit Union National Extension Bureau, Boston, Mass. Also see Chapter 22, "Labor-Management Cooperation."

³ Paul H. Douglas, *Real Wages in the United States*, Boston, Houghton Mifflin Co., 1930, p. 13.

work per week increased again to meet the production demands and the shortage of labor.

If all time free from work is considered as leisure, the total hours of leisure per week can be obtained by subtracting the hours of work from the total 168 hours in a week. The hours of leisure per week increased from 108.4 in 1899 to 119.6 in 1929, an increase of 11.2 hours or 11% in thirty years; and from 119.6 in 1929 to 134 in 1933, an increase of 14.4 hours or 10% in four years. The increase during the four depression years before 1933 was almost as large as the increase during the preceding thirty years. From 1899 to 1933, the hours of leisure increased 25.6 hours or 24%, whereas the hours of work decreased the same number of actual hours but that decrease was 43% of the 1899 base, or a 19% differentially greater decrease than the increased percentage of leisure. This differential between the relative increase of leisure and decrease of hours of work may have some bearing upon the considerations of reductions in hours after World War II.

Growth of Leisure Facilities and Activities.—In 1929 President Hoover appointed a Research Committee on Social Trends to survey social changes in this country. Funds for the research were granted by the Rockefeller Foundation, and a group of expert social scientists studied scientifically the factors of change in modern society. Their findings were published as *Recent Social Trends in the United States*,⁴ and in a series of monographs on special phases of social trends. The committee considered the problems presented by increasing leisure of such importance that a special study⁵ was made on recent recreational trends in this country. That study primarily emphasized parks and playgrounds, competitive sports and games, commercial amusements, leisure-time clubs and associations, pleasure travel, and the varied activities associated with outdoor vacation life. Many recreational facilities and activities were studied, separately and in detail, with respect to their growths and trends.

The general average yearly per cent increase in the recreational facilities and activities covered by the President's Research Committee on Social Trends was found to be 40.6%. This figure of the general increase can be criticized from the standpoint of the exact periods covered in the studies of the nature of separate facilities and activities. It does show that there has been a rapid yearly increase in almost all of the facilities for recreation and leisure-time activities.

⁴ New York, McGraw-Hill Book Co., 1933.

⁵ J. F. Steiner, *Americans at Play*, New York, McGraw-Hill Book Co., 1933, p. 201. Also *Recent Social Trends*, Report of the President's Research Committee on Social Trends, New York, McGraw-Hill Book Co., Inc., 1933, Vol. II, p. 912, etc.

Leisure as "Consumable."—The idea of increased leisure, or shorter hours of work, for increasing consumption has come to the foreground in recent decades. Leisure, as a means of increasing consumption, is conceived from several viewpoints. First, leisure gives people time to consume goods and services; therefore, if leisure is increased, consumption will increase. Second, leisure not only increases old wants and desires but also creates new ones which would increase consumption of goods and services. Third, machinery and improved methods have increased production to the extent that the supply of goods is greater than the demand in normal times, and this situation provides an opportunity to increase leisure time of workers so that they can consume more. Fourth, increased leisure would give people more time to consume the gifts of nature, such as fresh air and sunshine, and thereby increase their health, which would in turn increase their output per hour and not necessarily decrease the total output per worker because of the decreased total working time. And also, many forms of amusement and recreation are provided on a commercial basis and an increase in leisure could increase their consumption, such as, for example, moving pictures, automobile touring, travel, radio, etc.

The new attitude toward leisure as "consumable" was shown in the report of the committee on Recent Economic Changes of President Hoover's Conference on Unemployment⁶ in 1929. The idea of leisure for consumption is not new although it has been emphasized more during the last decades.

Impetus was given to the idea of leisure for consumption by Henry Ford when, in 1926, he announced shorter hours and higher wages for his employees, so that they would have both the time and money to purchase goods. He stated that mass production necessitated mass consumption. Other employers adopted the theory, until by 1928 it was not uncommon to see in print and to hear that prosperity was based on high wages and shorter hours to permit workers to consume.

Ira Steward,⁷ the advocate of the eight-hour working day, preached the doctrine that decreased hours of work would increase wants, by giving workers an opportunity to see the modes of living of other people and to carry on social life. In 1886 the American Federation of Labor encouraged the stimulation of consumption by decreasing the hours of work so that the workers would have time to consume the oversupply of goods produced by labor-saving machinery.

⁶ Committee on Recent Economic Changes of the President's Conference on Unemployment, *Recent Economic Changes in the United States*, The National Bureau of Economic Research, Inc., New York, McGraw-Hill Book Co., Inc., 1929, p. vvi.

⁷ M. C. Cahill, *Shorter Hours*, New York, Columbia University Press, 1932, p. 16.

During the depression, however, the idea of shorter hours to permit consumption shifted to that of shorter hours to relieve unemployment.

Recreational and Social Activities

Play is an essential feature of human nature. It may be made an integral part of efficient industrial work. The worker's mind and body must be given time to recreate. Wise management has recognized this fact and has provided an opportunity for supervised recreation and entertainment under good conditions. These activities usually include clubs, athletics, dramatics, musical activities, parties, dances, picnics, etc.

The basic reasons for a company's having a recreation program ⁸ for its employees are:

1. It makes for better health, efficiency, and it improves worker morale.
2. A satisfying leisure-time program which is jointly sponsored by the worker, the industry, and the community, with each sharing in the job of building a richer community life, can be one of the specific answers to an improved employee-employer relationship.
3. The aims of industrial recreation are precisely the same as those of all other types of recreation. The industrial worker needs recreation for exactly the same reasons as any other member of the community. Any program based merely upon increasing the efficiency of the work will fail. Any group of people will rightly resent a program arranged for the increase of their own efficiency. This will be the outcome, but it must not consciously be set up as an aim.

Existing self-governing clubs, athletic and otherwise, already in existence, or a new employees' association, can be the starting point for a wide-range program of recreation. The well-planned program can and should take cultural and social aspects into consideration. The athletic emphasis is notable and worth while, but it should not supersede other talents and abilities of the worker. The following is a suggested program of activities for industrial workers:

⁸ For good description of industrial recreation see L. J. Diehl and F. R. Eastwood, *Industrial Recreation*, Lafayette, Ind., Purdue University, 1940, (and other bulletins on recreation).

I. Noon hour at the plant

(a) Athletic activities:

1. Horseshoes
2. Volleyball
3. Softball
4. Shuffleboard
5. Handball
6. Badminton
7. Deck tennis
8. Baseball throwing for accuracy
9. Basketball free throwing
10. Others

(b) Social activities:

1. Checkers
2. Darts (baseball, football, etc.)

3. Pinochle
4. Pitch
5. Discussion groups

(c) Musical activities:

1. Band concert
2. Orchestra
3. Community singing
4. Amateur program
5. Chorus
6. Music—use sound system and rebroadcast popular and classical music.⁹

II. Late afternoon and evening activities

(a) Recreational activities:

1. Volleyball
2. Basketball
3. Baseball
4. Softball
5. Archery
6. Tennis
7. Golf
8. Bowling
9. Shuffleboard
10. Ice skating
11. Skiing
12. Swimming
13. Fishing
14. Horseback riding

(b) Rhythmical activities:

1. Social dancing
2. Dancing classes for young and old (lessons being arranged on group basis)

(c) Musical activities:

1. Band concerts and rehearsals
2. Orchestra
3. Chorus or glee clubs
4. Community singing

(d) Dramatic activities:

1. Minstrels
2. Amateur programs (outdoor and indoor)
3. Vaudeville
4. Stunt nights
5. Plays
6. Folk nights (various nationality groups)

7. Pageants

(e) Educational activities:

To cooperate with university extension and night schools in interesting individual groups in educational and cultural classes.

⁹ H. Burris-Meyer found that production per 100 man-hours increases from an average of 301.2 one week before music was started to an average of 335.6 after music installation. See "Music in Industry," *Mechanical Engineering*, January, 1943, pp. 31-34.

III. Periodical events

- (a) To encourage and assist individual departments in giving monthly social evenings to which all employees can come together to enjoy social evenings, forums, dancing, etc.
- (b) Picnics, hikes, weekend trips, and camping for the entire family. Arrange for information on best fishing spots and where the fish are biting best. Same can be true for information about

hunting lodges. Keep groups informed about special events of local, state, and national importance. Arrange for trips to World Series baseball and other important sporting events. Any opportunity to give the worker a break to "get in on" worthwhile events would be and is practical. Excursions can be arranged to enable him to travel at reduced rates.

The program should be cooperative; it becomes "coercive" when "the man in the shop" does not have a voice in its planning. Good leadership becomes necessary in an industrial program when it does not reach the greatest number of workers possible or when it favors the few rather than the many. A well-planned program should take into consideration the needs and desires of the entire group.

The recreation program of tomorrow should stress participating types of activities rather than passive forms. Today, we see the bulk of the population spending its leisure hours at the movies and other types of spectator activities. Huge sums have been spent on stadiums where 22 gladiators "keep fit"—and 80,000 "sit in dumb admiration." Passive forms of recreation have their place, but has "John Average, Citizen" thought about what too much passiveness does to him?

Volunteer leadership is available in most shops and factories. You can find every enthusiast from the athlete to the stamp collector. Many of these have the ability to give something to their fellow-workers and are only too glad to be able to cooperate. Paid leadership today can come from universities, Y.M.C.A., Y.W.C.A., personnel departments, or from industry itself. Qualifications desirable for recreation leadership are a pleasing personality, knowledge of recreation programs, and ability to get along with people.

The organization necessary to plan and administer the industrial recreation program should be representative of all departments. This can best be done through a recreation council, set up on a citywide basis. The council acts as a clearing house and can see that the particular

needs of its group are taken care of. The democratic process demands that the council, whether it is citywide or represents a single industry, becomes the basis for the inauguration of a well-rounded recreational program. In setting up the recreational council, committees should take into consideration the major and minor activities desired by the groups involved. Council members should represent either one or more activities as chairmen of subcommittees.

For many years outside organizations, such as the Y.M.C.A., developed and carried on these activities within industry. This is possible today, especially with the expanding public recreation program in most cities and communities. There is in most cities a close cooperation between the city program and industry. This cooperation can become greater. Skilled leadership in public and private programs can and should be more fully used by industry.

Elaborate clubhouses have been erected or clubrooms provided in some of the large companies. They contain such features as libraries, lounging rooms, billiard rooms, game rooms, auditoriums, and gymnasiums. Activities have been organized such as lectures, excursions, publications, athletics, musicals, glee club concerts, entertainments, dances, picnics, and games. The clubs are often managed by the employees in cooperation with management, which provides a certain amount each year for operation. The subactivities have their own separate organizations; yet they are under the central club management. In some companies each activity, such as dramatics or athletics, is organized separately. This is particularly true where clubrooms or clubhouses have not been provided.

Recreation and amusement are profitable and constructive when directed the right way. They make for democracy and eliminate class feeling. The officers of the company should participate or attend the activities as much as possible, and the more the employees participate in the management and operation of these activities, the more effective they will be. The election of management committees for athletic teams, social activities, and musical organizations, with subcommittees appointed for dances, theatricals, bands, and parties, has been found workable.

An example of a recreational and social club is the Goodyear Tire and Rubber Company Recreational Hall at Akron, Ohio, which contains a gymnasium, an auditorium, bowling alleys, handball courts, showers, reading and smoking rooms, and many other conveniences. The Westinghouse Club of the Westinghouse Electric & Manufacturing Company is another example. Besides this type of club, some companies provide country clubs, outing clubs, and parks for their employees. The

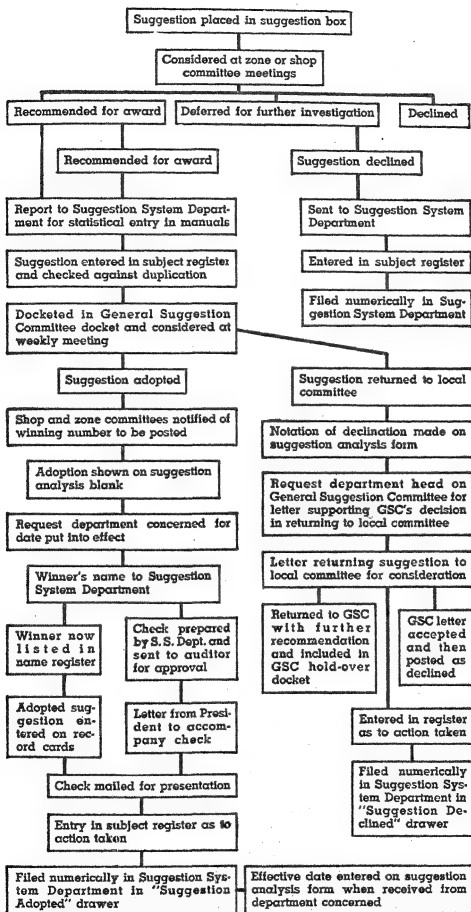


Figure 61. Flow Chart of Pullman Suggestion System
 (Factory Management and Maintenance, Vol. 100, No. 10, New York, McGraw-Hill Publishing Co., October, 1942, p. 107.)

friendly associations formed among employees by social contacts have in many cases made them more appreciative of their jobs.

Suggestion Systems

Valuable suggestions for improvements within the organization are to be sought in the industrial plant. Observation and originality of thought should be encouraged, and an outlet for the expression of opinions should be provided. In some cases suggested improvements in the methods have resulted in large savings. In one company the suggestion system cost \$1,700 to operate and resulted in a saving of \$17,000. On the other hand, if a suggestion system is not efficiently managed, it may be the cause of complaints and jealousy, for many suggestion plans have had good starts but have died out because of careless supervision. There are also companies who prepare and sell suggestion systems to other companies; for example, the Morton Suggestion System, Morton Manufacturing Company of Chicago.

In establishing a suggestion system, the details of the plan and its operation should be given careful study. First of all, department heads should be in hearty sympathy with the idea. After the plan has been adopted, an easy manner of submitting suggestions should be worked out. All suggestions should be impartially and thoroughly investigated and recognized, and they should be passed on by a committee composed of representatives from both management and the employees. Recognition should be given for all good suggestions, and adequate prizes for the most valuable ones should be offered periodically. At the same time, complaints should be treated in a broad, understanding way. Figure 61 charts the operation of a good suggestion system.

Housing, Gardens, and Parks

Good living conditions are essential to good workmanship. Adequate housing facilities reduce turnover, secure a better class of workers, improve living conditions, make for greater company loyalty, and give a better control over the labor situation. Where proper housing facilities do not exist in the community, it is the duty of the industry, the community, state, or federal government to provide them. Naturally, the housing problem is greater in some localities than in others. In large cities this is usually not the case, although congestion in the industrial centers and the rise in wages increased the demand for houses in 1928 and 1929 and during World War II. The depression after 1929 threw back on the hands of the companies some of the homes which the em-

ployees had only partially paid for and could not continue to pay for because of the scarcity of work.

If an industrial plant is situated where transportation is inconvenient, it may be necessary to establish a definite housing program. Home owning has decreased among certain groups in recent decades in favor of apartment renting, owing to the high cost and worry of home upkeep. An effective way to finance the building of employee homes is to have them operated cooperatively by the employer's representative and representatives of the employees. Another workable idea is to have it financed by an outside organization whose membership is made up of employer and employees of the company. Such a scheme relieves the employer of the blame if the results are not as the employees anticipated. If plumbing goes wrong, for instance, the employee cannot blame the employer directly.

Houses are sometimes built by the company and sold or rented to the employee. If sold, they are often obtained at cost, and paid for in regular monthly or periodical installments, which are sometimes deducted from the employee's pay. If they are rented, they are usually available at cost plus handling. The dwellings may be of various types: single houses, two- and four-family houses, apartment houses, boarding houses, and hotels. Wherever possible, single-family houses with a yard and garden are the most desirable, and they should be situated and designed so that they will be individual. Some industrial communities have been made very beautiful with up-to-date streets and parkways.

Gardens, in addition, are often provided for employees. They are permitted to use property adjacent to the plants for their own gardens. An employee may be assigned to a certain plot, allowed to raise what he chooses, and to keep what he produces without cost or rent. Some companies even furnish the seeds and break the ground for the first sowing. "Victory" gardens during World War II were in vogue not only for food but also for recreation.

In many industrial communities where there are no grounds for employees to enjoy the outdoors, companies have provided parks for their workers. In some cases several small companies may join funds to make a central park for all of the employees of the several plants. They are used for company outings and recreational activities which get the worker into the open air.

Employee Publications

Of the many ways of establishing communication between employees and the management, the employee publication is a popular and effective

one. In large companies where the close personal relationships are not possible as in a small business, the employee's magazine creates a better mutual understanding between workers and management, and among employees. It keeps employees informed about the company, and, conversely, it helps management to know the employees better. Company policies and procedures can be described in its pages, and important lessons in safety can be explained.

An employee magazine can build and maintain the morale of the employees; urge the worker to increase his production; and stimulate the employee to make suggestions. Every worker can be made to realize the necessity for safety, war and peacetime regulations, and nutrition. Above all, the employee publication can strive to develop in its readers a strong feeling of loyalty and patriotism. The National Industrial Conference Board has found that employee publications are effective in accomplishing these purposes.¹⁰

Before an early employee magazine was published in 1890, its natural predecessor, the company house organ, which is published for customers and patrons, made its appearance. The first of these was probably the *Mechanic* published by the H. B. Smith Machine Company, of Smithville, New Jersey. One of the oldest still in existence is the *Fall River Line Journal*, which is published for its patrons by the New England steamship company of the same name. It was first issued in 1878. One of the earliest employee publications, as such, was the *Factory News*, issued by the National Cash Register Company in 1890. It started as a twelve-page journal and was later developed into the *N. C. R. News*.

The need for employee cooperation during the first World War gave employee magazines their first great impetus. By 1920 there were 334 of them, 91% of which had been started in the 1917 and 1920 period. Their growth was abruptly checked by the depression of 1920-21, when about 30% of them were discontinued. Following the postwar depression, employee magazines gained slowly until in 1929, 415 were being published. Between July, 1929, and January, 1933, more than 50% of these were discontinued because of the economic depression.

Since that time, many publications have been reestablished and new ones inaugurated as a result of gradually improved business conditions and the increased attention which has been given to all phases of industrial relations. World War II gave another tremendous boost to the development of the employee publication, and by 1943 approximately 3,000 were being published in the United States.

¹⁰ Studies in Personnel Policy No. 31, *Employee Publications*, New York, National Industrial Conference Board, Inc.

Most employee publications fall into one of three general classifications: the magazine or booklet type, the tabloid or newspaper type, or the bulletin type.

An employee publication must be carefully planned and executed¹¹ if it is to accomplish its objective. Lack of an intelligent plan will result in confusion and failure to produce the desired result. The magazine's purpose, title, appearance, editorial approach, content, staff organization, frequency of issue, publication costs, mechanical considerations, production practices, and methods of distribution should be carefully thought out and planned before the copy of the first issue is prepared.

Some of the better known plant publications are: *Folks* of General Motors Corporation; the *Armstrong Reporter* of the Armstrong Cork Company; the *Revere Patriot* of Revere Copper and Brass Incorporated; the *Western Electric News* of the Western Electric Company; *The Lamp* of the Standard Oil Company of New Jersey; *The Wingfoot Clan* of the Goodyear Tire and Rubber Company; *The Curtis Family* of the Curtis Publishing Company; the *Kodak Magazine* of the Eastman Kodak Company; and the *Commonwealth* of the Commonwealth Steel Company.

Nutrition, Restaurants, and Stores

Nutrition.—During World War II many companies took it upon themselves to present nutrition programs to their employees and their families. Experience in Great Britain and the United States proved that the energy and production of a worker is in close ratio to his diet—the kind and quality of the foods he eats. Besides increasing a worker's production with no conscious increased effort by the worker, better nutrition is a means of reducing accidents and absenteeism.

Industrial surveys were conducted by the National Research Council, which revealed some appalling facts. In an aircraft plant in California, it was found that practically 50% of the employees showed signs of vitamin deficiency. Seventy-seven per cent received far too little vitamin C; 75% too little milk, and 62% ate too little leafy vegetables. The problem was not a lack of the essential foods, nor were the costs of these foods high. The problem was created because employees lacked knowledge of the nutritive values of various kinds of food and were uninformed as to how much they should have of each essential food.

Therefore, managements of various companies undertook an educational campaign slanted toward the women in the workers' families.

¹¹ See Garth Bentley, *How to Edit an Employee Publication*, New York, Harper & Bros., 1944.

Bulletins, posters, and flyers were distributed. The Office of Defense Health and Welfare Services in the Office of Emergency Management provided numerous well-thought-out leaflets, slogans, etc. "U. S. Needs Us Strong," became a familiar quotation, as shown in Figure 62.

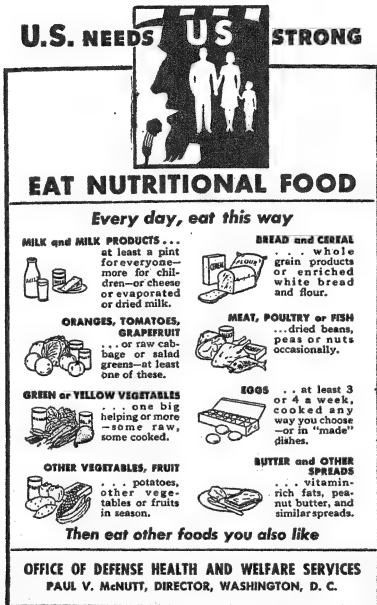


Figure 62. Chart on Daily Food by Office of Defense Health and Welfare Services

Nutrition classes were started under the supervision of trained dietitians, who instructed the women in the necessity of providing their families with well-balanced meals. The lunch-box meal was discussed, and menus were worked out which provided one third of the daily nutritive requirements. "Pack a Lunch that Packs a Punch," was a

widely used slogan. In all cases the study of the various kinds of food and their values was presented in a nontechnical manner.¹²

Employees were taught that vitamins are minute life-giving chemicals which are of the utmost importance in the diet of everyone. Without those foods which contain them or without an outside supply from some source, vitamin deficiency will occur, which can cause gastro-intestinal distress, constipation, dyspepsia, lack of energy, neuritic pains, poor vision, and "that tired feeling," as well as a number of real diseases, such as beri-beri, scurvy, and rickets. It was stressed that enough food can be taken to satisfy the worker's hunger without providing him with the proper vitamins in the proper quantities. Another important point that was emphasized was that the body cannot "store" vitamins like it can store fat, and it is necessary for each person to get his supply of vitamins every day.

Borsook¹³ recommends the following for daily human vitamin requirements for abundant health for an adult:

Vitamin A—6,000 International Units (the unit of measurement for this vitamin).

Vitamin B₁—5-7 International Units per pound of body weight.

Vitamin C—1 milligram per pound of body weight.

Vitamin D—1,000 International Units for children—adult requirements not yet known.

Vitamin B₂—2.0 to 2.5 milligrams.

Company Restaurants and Lunchrooms.—In addition to nutrition classes, managements broadened their efforts to make employees nutrition-conscious by providing mobile canteens and vending machines in the plants, as well as restaurants and cafeterias.

Bodily health and increased output are the reasons for company lunchrooms and restaurants. Usually companies provide just the noonday meal. Some provide lunches for each shift, and others provide three meals a day. A hot, properly balanced lunch, served in clean and bright surroundings, will produce a greater amount of energy, and makes the worker more efficient than would a cold, poorly prepared lunch. The essential requirements of a successful company restaurant or lunchroom are convenient location, attractiveness, prompt service, convenient hours, good food properly served, reasonable prices, simple method of payment for food, and good management.

¹² For example, "Vitamins for Victory," New York State Nutrition Committee, Albany, N. Y.

¹³ Henry Borsook, *Vitamins*, New York, The Viking Press, 1941.

Many companies run their restaurants and lunchrooms at cost, and some lose money on them. In recent years, cafeterias, with their quick service, have been provided. These are more economical and give the worker added time for rest and recreation at noon. The companies which do not have restaurants often furnish their men with a place to eat their lunch. By eating at his work bench, the employee does not get a change from his working environment, nor is an opportunity provided for changing the air in the workrooms.

Company Stores.—Company stores at which employees can buy at cost are sometimes maintained. They sell groceries, shoes, cigars, furniture, and, in fact, about anything the employees need or want. If articles are not carried in stock, they may be ordered by the store. Prices are reckoned according to cost plus handling. Some successful ones are run on a cooperative basis, and the profits at the end of the year are distributed to the buyers in proportion to the amount purchased. The capital to start the store is sometimes furnished by the employer, but its management is more often handled by the employer and employees cooperatively. Company stores customarily do not deliver. The situation is handled by providing facilities for employees to leave orders before going to work which will be ready when they return home. In some stores when a small profit is made, it is turned over to the benefit or relief association at the end of each year, to be used as are the other benefit funds. The main advantage of the company store is that it saves for the employee by giving him more food for the same amount of money. It also creates a feeling of good will between employer and employees, and makes the workers feel that the employer has their interest at heart. However, if not run efficiently, it may have the reverse results. Some companies have started cooperatives with employees having a large part in their management.

Legal Aid and Miscellaneous Service Work

Many extra service activities may be performed by the employer that prevent worry and discomfort among employees. Legal aid and advice has in some cases proved profitable in clearing up misunderstandings among employees, and between employees and people outside of the company who may endeavor to take advantage of them. Arrangements with lawyers are sometimes made whereby employees may call on them for legal aid and advice without cost up to a certain point. Other companies have a full-time legal counsel for the regular legal matters of the company, a lawyer who also gives legal aid and advice to employees. When sound advice concerning outside investments, claims, and other

legal matters is given by a reliable person, the employees feel that the company is protecting their interests.

All these service activities will help make a steady and sturdy working force that will bring profits, contentment, and satisfaction to employer as well as to employees.

CHAPTER 15

WOMEN AND SPECIAL GROUPS IN INDUSTRY

Although women have always worked, a division of labor based on sex has almost always existed. Up until the Industrial Revolution, women's work consisted of household duties, cooking, sewing, etc. The introduction of machinery to the manufacturing process sometimes made it possible for women to do such work. During the Civil War, when there was a shortage of men, women once more went to work in the mills. The patriotic motive involved in war production was sanctioned by society. But in the years following, women returned to domestic work until the acute shortage of labor during World War I made it necessary for women to turn out for war production again.

After each emergency period of labor shortage, the receding tide of women workers on productive jobs usually left some stragglers still at their jobs. Social attitudes changed somewhat, particularly with the passing of the amendment on women's suffrage, and more women sought employment outside the home. However, clerical, sales, teaching positions, etc., were more socially accepted than industrial jobs. This was due to the fact that formerly women industrial workers were considered by some employers as lacking in education, culture, and economic independence, and therefore cheap, easily controlled labor. Men workers often resented the invasion of women on so-called men's jobs because they felt that women were unfair competitors and displaced men.

In spite of the general opposition to women in industry, the percentage of working women increased until 1910, when 25.4% of the women in the United States were gainfully employed. This figure decreased to 23.1% in 1940. The shortage of manpower during World War II and the need for peak production brought women into factories to a greater extent than ever before. About 2,500,000 women were employed in war industries at the end of 1942. This influx of women into industrial work presented significant industrial relations problems involving the need for re-engineering jobs and changing working conditions, as well as for new social, psychological, and sociological considerations.

On the whole, it was found that there were very few jobs performed by men that women could not do with changed conditions and methods.

Women are dexterous with their fingers, and can adapt themselves to repetitive, monotonous work. They can also do very precise work, requiring the use of a micrometer and measuring to close tolerances. The Women's Bureau has compiled a list of operations on which women have been employed for war production. The following are samples of those jobs:¹

I. MANIPULATIVE SKILLS

Operating machines:

Drill presses—single and multiple spindle	A ²
Milling machines—light and medium, and micro machines	A
Light turret lathes and hand screw machines	B
Woodworking machines: saws, sanders, shapers, profilers	C
Optical and ophthalmic glass grinding and polishing	B
Hand finishing machined parts by filing, burring, lapping	A
Sheet metal forming and riveting	B
Welding:	
Acetylene and torch	B
Electric arc	C
Spot	B
Artillery: ammunition, loading (bag and shell loading, fuses, primers, etc.)	A
Servicing and repairing of planes at air depots (ground mechanics)	B
Painting:	
Spray painting small parts and products	B
Touch up and hand finishing	A
Radium	A
Stenciling, masking before painting, racking, and un-racking	A

II. INSPECTION

Visual	A
Gauge, micrometer or caliper (sometimes with blueprint reading)	A
Calibrating	B

III. FACTORY SERVICE

Production, planning, routing, and control	C
Draftsmen and tracers	C
Factory clerks (timekeepers, stock record clerks, etc.) ...	B
Crane operators	C
Guards	C
Electric truck drivers, intra-plant loading and hauling...	C

¹ "Typical Operations on which women are employed in War Production," U. S. Department of Labor, Women's Bureau, October, 1942.

² Code: A—Women now used extensively; B—Women now used to some extent; C—Women now used to a slight extent.

VI. TRAINING (in plant)	C
VII. PERSONNEL RELATIONS	
Personnel administration (director, assistant director, assistant)	B
Employment—interviewing and hiring	B

Women's Wages

Traditionally women have received lower wages than men, even for the same work performed. The differential was based on sex, and since women had little bargaining power, they more or less accepted the fact that they were to be paid less than men. It is felt by many that women workers lower men's standard of wages by working for less money and permitting unscrupulous managements to exploit them.

Unions took up the cause for women and tried to put into practice "equal pay for equal work." Managements in a large number of cases have protested that such a demand is unfair since the cost of employing women is greater, and this cost should be taken into consideration when women's rates are being determined. Because of this, it was said that "equal pay for equal work" would make it uneconomical for employers to hire women instead of men.

However, during World War II the demand for women to replace men in war industry was so great that the wage differential between men and women disappeared in a number of plants. Helen Baker of the Princeton Industrial Relations Section reported the following trend in the early part of 1942:³

The trend in war industries appears to be definitely toward the abolishing of wage differentials based on sex. This would seem to be not only the result of union pressure, but also because companies consider it an important factor in getting more women into the labor market.

Later as the demand for labor grew even greater, the National War Labor Board made an official pronouncement to the effect that:

Wage rates for women shall be set in accordance with the principle of equal pay for comparable quantity and quality of work on comparable operations.⁴

Because many companies had not previously employed women in any great number, it became necessary for them during World War II to

³ Helen Baker, *Women in War Industries*, Industrial Relations Section, Princeton University, 1942.

⁴ Margaret K. Anderson, "Employment of Women in the Manufacture of Cannon and Small Arms," Women's Bureau, U. S. Department of Labor, Washington, D. C., U. S. Government Printing Office, 1943, p. 29.

state their policy with reference to women workers. The following is the policy of one large company on the employment of women workers:

1. *Wages.* Women employees doing the same production labor work as male employees quantitatively and qualitatively shall receive the same rates of pay and same bonus opportunities as men.

2. *Wages.* Women employees who replace men on production labor and cannot do the same work quantitatively and qualitatively as male employees, appropriate rates will be established and assigned to those jobs by new job evaluations or new time studies (or both) of those jobs.

Under 2, where women replace men and produce less quantitatively and qualitatively, the following general reasons may apply in addition to less quantity or poorer quality:

- (a) Women are not as flexible as men—cannot be transferred to heavier jobs.
- (b) Women cannot work as long hours as men (often by state law).
- (c) Women are more temporary—will get married and do not fit into the permanent future of the company.
- (d) Women haven't as much physical reserve as men in case of breakdowns.
- (e) Poor attendance, sickness, and in many cases less dependability.
- (f) High labor turnover.
- (g) Additional washrooms, rest rooms, and locker rooms are needed.
- (h) Longer lunch periods and rest periods.
- (i) Personal time greater.
- (j) Laws more stringent for women than for men.
- (k) Social problems in the plant increase by the employment of women.
- (l) Greater safety care needed.
- (m) Better and additional supervision may be needed.
- (n) Uniforms are needed.
- (o) Additional cost of hiring women.
- (p) Greater financial responsibility of men—the men usually pay for the family; single men pay for the women socially.
- (q) Women are more emotional in many cases.
- (r) Some women don't want equal pay.
- (s) Some men don't want women to have equal pay.

The principal reasons for paying women the same pay for the same work are:

- (a) If a woman does the same work, it is fair to pay her the same rate.

- (b) The shortage of the supply of workers during the war makes (or will make) it necessary to employ women.
- (c) Women are making a special war sacrifice and are helping to produce temporarily during the war when they would not have to, and therefore they should have an extra inducement above the differential rate usually paid to women.
- (d) On many jobs women can produce quantitatively and qualitatively the same as men, and in some cases more.
- (e) Women are particularly well adapted to certain repetitive jobs and can handle skilled jobs after training and can work to precise tolerances.

3. *Wages.* On jobs which normally and historically are filled by women for which a differential now exists, that differential should be maintained, both in rate and bonus opportunity.

4. *Rest Periods.* One rest period of at least ten minutes should be provided in the middle of the morning and one in the middle of the afternoon. A 30-minute lunch period should be provided for all women employees.

5. *Clothing.* It is recommended that women on mill and manufacturing jobs wear the accepted slacks, safety shoes, and snoods or caps.

6. *Miscellaneous Rules.* The rules and regulations with reference to the employment of men as given in the employee's handbook shall apply to the employment of women as well as men, where such rules are not in conflict with these instructions and the laws of the state.

7. *Rest Rooms.* Rest rooms and toilet facilities should be provided as soon as possible, at least in accordance with the laws of each state, . . . etc.

Training of Women

In the prewar speed-up of production for defense and Lend-Lease, most companies were reluctant to hire women. However, when the last war began, many companies instituted in-plant training for women in order to train them according to the methods customarily used by the companies.

In 1943 Revere Copper and Brass Incorporated opened its training program for college graduates to women. Formerly this course had been available only to men—either graduates of technical engineering schools and exceptional employees in the various divisions. The description of this course as given to prospective trainees is as follows:

Four to six months' training in the various departments of the Rome Division at Rome, New York, with perhaps, but not necessarily, special training at one or more of the divisions. The length of train-

ing varies according to need. The training consists of a schedule similar to the following:

1. A study of the employee handbook; the history of the copper and brass industries; history of the company and the policies of the company. A summary of the products of the company. Summary of various company functions. Conducted trips through the various mill departments 3 days

Assignments in the various departments of the mill and office:

2. Weigh Room 3 days
3. Casting Shop 2 weeks
4. Seamless Tube Mill 4 weeks
5. Hollow Wire Mill 1 week
6. Rolling Mill 4 weeks
7. Bar Copper and Small Rod Departments 4 weeks
8. Methods Laboratories (Chemical and Physical) 1 week
9. Machine Shop and Engineering Department 1 week
10. Industrial Engineering 3 weeks
11. Followed Costs 1 week
12. Annealing 1 week
13. Personnel Department 1 week
14. Safety 3 days
15. Office, Sales, and Costs 1 week
16. Rome Manufacturing Company Division 2 days

26 weeks

For the above assignments, the students are rotated, so that usually only one or two of them, and not more than four, will be in each of the departments at one time. They are assigned as methods and promise clerks in the Rolling Mill, Tube Mill, and other plant departments as agreed upon by the various heads of those departments.

A talk or lecture, and discussion on some phase of the manufacturing of copper and brass is given, if possible, practically every week by the expert in the company on the phase of the work being considered.

Experts on the particular subjects of the manufacture of copper and brass in this corporation were selected and asked to write a description of the methods, procedures, and other technical information concerning their subjects which were considered essential for the selected employees from the colleges and universities and from the divisions to have while they were going through the various departments. This material has been prepared with photographs and drawings, giving the essentials of the various subjects concerned, and forms a text on the manufacture of copper and brass in Revere Copper and Brass Incorporated. This is given for the confidential use of each

student, as added instruction in each phase of the work. Examination questions are given from time to time on the department the student has just completed studying. A written report covering the operations of each department is required of each student within two weeks following the completion of the study and observation therein. Each student is rated on her work, her reports on each assignment, and is graded on the examinations covering the lectures and discussions. She is also rated on her attitude and conduct during the course.

Personnel Services for Women Workers

Clothing.—When women first started working in factories during World War II, the problem of proper clothing was suddenly found to be a serious one, both from the point of view of lost-time accidents caused by clothing getting caught in machines and by time lost by men ogling the girls in sweaters and skirts. A number of plants started requiring their women workers to wear uniform slack suits, without any extra trimmings such as flaps on pockets, full sleeves, etc., which might conceivably be a safety hazard. Jewelry and high heels were forbidden; head coverings were required for the protection of the hair and scalp.

Because American women have always been fashion-conscious, it has been necessary to require work clothes that are attractive as well as practical and safe. The Sperry Gyroscope Company, Inc. asked its women employees what type of clothes they preferred to wear, and then had uniforms designed according to the suggestions received.

Dr. Millicent Pond of the Scovill Manufacturing Company⁵ is of the opinion that women should not be required to wear uniforms, but rather that they should be required to conform to certain standards of safety in dress and still be allowed a range of colors and styles from which to choose. In this way the woman worker can maintain a certain degree of individuality about her appearance, which has a good psychological effect upon her morale, and thereby increases her work efficiency.

Safety.—It is not believed that women are more accident-prone than men, but there are several types of accidents to which women seem more susceptible.⁶ The first of these is getting caught in machinery by their hair, clothing, or jewelry. The cause of these accidents is being removed by the requirement that women dress safely for work. Women have a greater propensity for falls than do men. On the whole, however, it has been found that women are more cautious than men and less prone to

⁵ Millicent Pond, "Selecting and Placing Women Workers," Production Series No. 138, New York, American Management Association, 1942.

⁶ William Dun, "Six Million Women," *Journal of American Insurance*, June, 1942, p. 19.

recklessness and "horseplay." For this reason, the safety record of women workers has been good. Although the accident rate might have seemed high when large numbers of women first started to work in factories during World War II, the accidents did not in all cases occur because the workers were women, but because they were *new* workers.

Industrial Health.—War industry has increased the industrial health problems of women⁷ because of increased exposure to harmful conditions. Women's skins may be more sensitive to primary irritant, such as industrial solvents, and it seems advisable to keep them away from jobs on which they come in contact with such hazards. War factors lowering resistance to occupational disease include: increased hours, short lunch periods, pressure for production, overcrowding, makeshift washing facilities, too little time for washing, and other fatigue factors, such as lack of correct seating, etc.

Absenteeism.—It has been found in independent studies by the Bureau of Labor Statistics, the War Manpower Commission, and the National Industrial Conference Board that women contribute more to the rates of absenteeism than do men. This is particularly true of absences of short duration. The National Industrial Conference Board's study of the average number of absences per 1,000 employees reveals that there were 1,205 short-time absences for women as compared to 646 absences for men working the same number of hours.⁸

The main causes of absenteeism among women are the pressure of home responsibilities and the fact that they are more subject to illness than men. Fatigue is an important factor contributing to absenteeism. Management can do much to abate fatigue by arranging proper schedules allowing for one day of rest in seven, by improving lighting facilities, and by providing proper ventilation and eating facilities.

Other Personnel Problems.—These and other problems present an increasing need for additional personnel services for women. Day nurseries for the care of children of working women have been established by some companies, following Britain's example. Studies of the causes of labor turnover have resulted in remedial action. Shift hours, lunch periods, rest periods, nutrition programs, cafeterias, rest rooms, arrangements for seating, re-engineering of machines to cut them down to women's sizes to reduce the fatigue factor, breakdown of operations so they can be handled by women, conformity to state laws for women

⁷ "Women's Wartime Occupational Hazards," Women's Bureau, U. S. Department of Labor, Washington, D. C., March 11, 1943.

⁸ "The Problem of Absenteeism," Study in Personnel Policy No. 53, New York, National Industrial Conference Board, Inc., 1943, p. 22.

workers—these are a few of the problems which must be considered when women are employed by industry.

The Women's Bureau

The Women's Bureau in the Department of Labor has been established to further the cause of the working woman, to improve working conditions, to better standards of health and safety, as well as to compile statistics and information about working women. The following are the Women's Bureau's standards for women in industry:

STANDARDS FOR WOMEN IN INDUSTRY⁹

Wages

Rates based on occupation and not on sex or race, the minimum to cover cost of healthful and decent living and to allow for dependents.

Hours

A day not longer than eight hours.

A half holiday on Saturday.

At least thirty minutes allowed for a meal.

A ten-minute rest period in the middle of each half-day without lengthening the day.

No employment of women between midnight and 6 A.M.

Working Conditions

Cleanliness.

Good lighting, ventilation, and heating.

Machine guards, handrails, safe condition of floors, devices for drawing off dust and fumes.

Fire protection.

First-aid equipment.

A chair for each woman. Change of posture—neither constant standing nor constant sitting.

Prevention of overstrain and of overexposure to dust, fumes, poisons, and extremes of temperatures.

Sanitary drinking and washing facilities.

Dressing rooms, rest rooms, lunch rooms.

Adequate toilet arrangements—one toilet to every fifteen workers.

General

A personnel department, responsible for the selection, assignment, and transfer or discharge of employees.

⁹ Director of United States Women's Bureau, *Thirteenth Annual Report*, Washington, D. C., 1931, p. 28.

Women in supervisory positions and as employment executives where women are employed.

Provision for workers to share in control of conditions of employment.

Opportunity for workers to choose occupations for which best adapted. No prohibition of women's employment except in occupations proved to be more injurious to women than to men.

No work to be given out to be done at home.

Application to and cooperation with federal and state agencies dealing with labor and conditions of employment.

Special Groups in Industry

Women may be considered as a special group and deserve particular consideration, but there are other special groups in industry, such as Negroes and those of foreign birth and extraction who, if we have a real democracy, should be considered with the same democratic attitude as all other employees, whatever their race, color, or creed.

Antagonism between white and Negro employees has grown in some companies and communities to the extent of race riots, such as in Detroit in 1943. There have come to pass a number of derogatory beliefs or arguments about Negroes as a race and as employees. The Council for Democracy¹⁰ of New York City has investigated them in 150 leading industries and found no scientific basis for them. Negroes make good employees and, therefore, should not be discriminated against in a democracy.

Similarly, it should be so with any special groups, whether by color, race, nationality, or creed.

¹⁰ See *Skilled Negro Labor*, New York, The Council for Democracy, July, 1943.

CHAPTER 16

THE INDIVIDUAL IN DEMOCRATIC PERSONNEL RELATIONS

Individual Rights and Responsibilities

"Rugged individualism" is a cherished ideal in which Americans traditionally took pride. Individualism has been the cause of much of the progress which has been made in this country. It has been the backbone of the free enterprise system. Democracy is for the individual. The will of the state in a democracy is the will of the people expressed by secret ballot.

As no group—government, state, or company—is stronger than the individuals that compose it, it is important that every individual in the group be strong. The stronger the state, the company, or the union, the stronger should be its purpose to serve the individual. The stronger the individual, the greater should be his acceptance of the responsibilities of his democracy, his company, or his union.

Unless each individual develops himself to the extent of his ability, democracy will not be as great and as strong as it can be. A democracy will be only as strong as the sum of the strengths of the abilities, the ideals, and the cooperation of the individuals in that democracy. As democracy is based upon belief in the dignity of the individual and his personality, everyone should accept the challenge to develop himself and to perform or accept the responsibilities or requirements of a democracy. The assumption of these responsibilities is inherent in the acceptance of the rights and privileges accorded under a democracy. Every democratic right has a corresponding duty, as follows:

Right

1. Right to work in a democracy, and for it.

Duty

1. Duty to maintain the democracy by voting in the best interests of the democracy as a whole; duty to serve the democracy in making it the best; duty to protect and fight for that democracy; and to recognize the right of others to life, liberty, and the pursuit of happiness.

2. Right to liberty.
 - (a) Freedom, within the law of the majority, of speech and the press.
 - (b) Freedom of worship.
 - (c) Freedom of assembly.
2. Duty to protect and advance that liberty for the common good and to prevent others from assuming liberty beyond the common good; duty to assist in making laws which will safeguard liberties.
 - (a) Duty to speak the truth and not libel any other person, and to recognize and protect that right for others.
 - (b) Duty to worship and maintain the church and religious beliefs of each person's choice, and to protect that right for others.
 - (c) Duty to participate in free assembly of each person's own choice, to see that all viewpoints of the questions are considered and the right action is taken.
3. Right to the dignity of an individual.
 - (a) Equality of opportunity according to individual's potentialities.
 - (b) Fraternity and friendship.
3. Duty to develop to the highest degree in order that each citizen and his fellow-citizens will make this democracy the strongest possible.
 - (a) Duty to respect the individuality of others and their right to live as they please consistent with the common good.
 - (b) Duty to consider the rights of another person equal to one's own, and duty to conduct one's self so as to gain the respect, friendship, and good will of others.

One of the chief responsibilities of the individual, and the one that he can carry out, is to develop himself personally so that he can assume with others those responsibilities without which the rights and privileges will not be possible.

Individual Differences

Each employee varies from everyone else with regard to the amount or degree of any characteristic, trait, or quality. That is why people are so interesting; no two are exactly alike in a single trait or pattern of traits. A large group of persons will vary in a fairly uniform manner on any one trait. A few persons will be extremely high and a few extremely low on any one quality. A larger number will be high, and another portion will be low, but not extremely so. The greatest number will be about average, neither high nor low in any trait. For instance, a study of the heights of people will show a few seven feet tall and taller, and likewise a few midgits. A greater number will be between six and seven feet, and also between four and five feet. Most people are between five and six feet, about the average. An analysis of the heights of people would produce a normal curve, as shown in Appendix A, Figure 73, curve B. A similar study of intelligence would reveal a few imbeciles, a few geniuses, and the majority around average.

This is true with every characteristic, trait, ability, aptitude, capacity, skill, etc. People vary because of differences in physique, ancestry, sex, intelligence, interests, disposition, sentiments, complexes, temperament, moods, attitudes, and environment, such as homes, schools, communities, etc.

Traits do not combine with each other similarly in different people. Two persons may be tall and honest; but these traits may combine in different ways with other traits. These other traits may vary so as to change those two traits or influence them differently in the two persons. So the total personality is not the sum of the parts (traits), because the combining of them may have been sufficiently different to vary the whole. Humanly speaking, the whole (*Gestalt*) is not the sum of the parts. The parts of a personality are different and are combined differently.

In general, a normal person has a few high or good traits, a few have low or poor ones, with most of them about the average. In exceptional cases, superiorities may be closely correlated, as are inferiorities, in the same person. Usually, a person's total traits would produce a normal distribution of a few good traits, a few poor traits, and a greater number of average traits. A chart, or psychograph,¹ of high, average, and low traits will show a person's total personality. If the chart contained enough traits and degrees of variation by fairly exact measurement, no two would be alike, no matter how many people's personalities were charted. People vary by almost as many combinations of traits as there are people.

¹ For example, see Chapter 5 on Employment.

Individual differences cannot be molded into one formula or idea of development. Some traits or tendencies can be developed, and the results can be predicted with a certain degree of accuracy. Similar methods of physical development can be used by most normal people. With limitations, proper rest, diet, and exercise will have a similar effect upon them. When an employee knows his strong and weak points, he may be able to use his strong points to his own better advantage and to his group's benefit, and he may be able to eliminate or correct some of his weak traits.

Employee Development ²

The proper personal development of employees is becoming more and more the concern and responsibility of organized groups in society, such as industrial establishments, unions, communities, state and federal governments. Personal development has usually been considered from three points of view: mental, physical, and moral. But these three phases are not sufficient for complete personal development. As the number of industrial workers has grown so rapidly, and as each employee has become a member of the social group, it is imperative that the employee work and live harmoniously with his fellows. He is, and will be even more so in the future, a social being. The employee must also develop socially, as well as emotionally, vocationally, and avocationally in order to attain a full personality. Unless an employee endeavors to improve himself along all lines, he cannot expect his community or his employer to consider him to have reached a maximum of adjustment and effectiveness. On the other hand, unless the community or his employer provides the opportunities, the employee cannot hope to attain full personal development. Therefore, the responsibility for this program is gradually being assumed by management, unions, and the government. An employee's complete development may be classified as shown in Figure 63.

The progressive industrial concern will look at the full development of an employee, which includes the development of mind, body, character, personality, emotions, vocation, and avocation. Under a plan of development, the worker should be happier and learn how to accomplish far more than would be otherwise possible. As an ideal, he should know his job better; have a healthier body; be more honest and truthful; and be able to get along more agreeably and considerately with those with whom he comes in contact.

A large amount of industrial difficulty is caused by the lack of proper employee development. An estimate has been roughly made that indus-

² For fuller discussion of mental, physical, moral, and social development, see the author's books, *Applied Personnel Administration*, John Wiley & Sons, Inc.; and *Student Development*, Isaac Pitman & Sons.

KINDS OF DEVELOPMENT	HUMAN VALUES DEVELOPED	METHODS OF DEVELOPMENT BY A COMPANY	How DETERMINED
1. MENTAL	Mind	(a) Training and Educational Department (b) Schools (c) Personal Contact	(a) Intelligence Tests (b) Aptitude and Ability Tests (c) Trade Tests (d) Trial
2. PHYSICAL	Body	(a) Work (b) Health Department (c) Recreational Activities	(a) Physical Examinations (b) Strength Tests
3. MORAL	Character	(a) Religious Organizations (b) Personal Contacts (c) Rating Scales (d) Service Department	(a) Interviews (b) References (c) Rating Scales
4. SOCIAL	Personality	(a) Rating Scales (b) Personal Contacts and Interviews (c) Service Department	(a) Rating Scales (b) Interviews (c) References
5. EMOTIONAL	Feeling	(a) Interviews (b) Training and Education (c) Psychiatric Treatment (d) Personnel Department (e) Self-Analysis	(a) Emotional Tests (b) Ratings (c) Interviews (d) References
6. VOCATIONAL	Skill	(a) Trade Training (b) Education (c) Tryout on Job	(a) Trade Tests (b) Examinations (c) Tryout on Job
7. AVOCATIONAL	Aesthetic—Sense Recreational Pleasure	(a) Social Clubs (b) Schools (c) Recreational Centers (d) Libraries (e) Company Recreational Activities	(a) References (b) Ratings (c) Interviews (d) Tryouts

Figure 63. Classifications of Employee Development

trial employees are using only about 50% of their abilities because of the lack of personal development and that this can be increased 25%. The field is very large, and it has a great future, for in time the industry or union which does not provide development programs will be the loser. Their workers will not stand up against those of companies using such programs. They will not produce as much nor will they be as happy and as contented in their work. These developmental plans do not mean rigid direction and strict regulation, but sound training in personal development which will increase profits for both employer and employee and bring more happiness to all.

The need for developmental activities has been recognized in more recent years. The management of yesterday disowned almost entirely

interest in the employee when he left the factory door at the end of the day's work. The home relations and leisure time of the employee were of no concern to the employer. Now it is the general belief that the modern factory should assist the employee, as much as possible where it is not done by the community, to use his time for the personal improvement of himself and his family. Such an ideal can be accomplished when the company provides suitable opportunities and encourages the working force to take advantage of them. Industry is becoming more socially minded in this respect.

In any plan of development it is difficult to consider each phase separately, as they are all interrelated. For example, physical development helps to regulate mental growth. The mind will not function properly in a weak body; nor will personality and character be as effective.

It is difficult to say at present which personal traits are inherited and which are developed by environment. Both heredity and environment play their part, but the extent of their influence is not known. Both must be taken into consideration. If a man has inherited a frail body, his mind may develop slowly; on the other hand, his mind may work more rapidly if he has pleasant, wholesome surroundings. Each individual's development presents a special problem. Environment is a vital factor and should be given much consideration because it can be controlled or changed.

Mental Development.—The intellect is inherited, but a good mind needs the proper environment and education to develop to its fullest. A low intellect will accomplish more in a stimulating environment than in a poor one. Intelligence is the product of inherited and environmental influences combined. The degree of intelligence of many employees may not be known exactly, as some have never been tested by scientific measures. The proper personnel point of view is that mental development will benefit most employees who will actively endeavor to improve themselves.

A company can provide training and education courses, a library, talks, and lectures, and apprentice courses for its employees. It can cooperate with the schools and educational departments of the community, state, and nation to provide activities which will develop the employees mentally. As most mental development is self-education, a company can encourage each employee to study and learn everything he can about his job and the work of the company.

The employee can try to find the facts about any subject or problem, classify them, use his judgment, and base his solution upon those facts, thereby developing the use of his mental abilities in the process.

Since industry deals largely with adults, it should be noted that age makes less difference in the rate of learning than was previously thought. E. L. Thorndike³ has shown the relationship between age and the ability to learn at different ages from five to forty-five, as given in Figure 64. This relationship shows that older persons can learn nearly as rapidly in the years after thirty, if they put forth the same effort, willingness, interest, and practice as the younger persons and if training in learning is not left unused in the older person.

For old and young, there are many opportunities for the improvement of one's mental faculties and for self-development—the free public

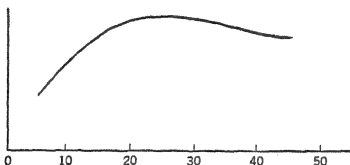


Figure 64. The General Form of the Curve of Ability to Learn in Relation to Age

libraries, the schools, associates, and friends. To the individual, self-education mentally means:

1. Reading books, magazines, newspapers, etc., for intellectual development.
2. Practice thinking, problem-solving, and doing things that involve better thinking.
3. Association and discussions with those who have developed themselves mentally.
4. Clarifying your better thoughts by writing them down.
5. Attendance at courses, lectures, meetings, and conferences of intellectual significance.

There are books for almost every purpose, and librarians will help workers obtain what they want and will advise what is needed; as will also teachers and friends.

Mental development in a democracy is important so that each person will know and can obtain the truth, can recognize the advantages and disadvantages of proposed solutions to a problem, and can speak the truth.

³ E. L. Thorndike *et al.*, *Adult Learning*, The Macmillan Co., 1928, p. 127.

Physical Development.—Development of the body sometimes occurs through the work which the employee is doing. If this is not the case, and if there are no provisions in the community for proper health programs, the company might provide such facilities as sports, athletic games, gymnasiums, athletic apparatus, and other recreational activities for employees. Some companies even provide summer camps and have picnics as well.

In a great many cases the community has provided physical development facilities, and it is not necessary for the company to establish them. However, these opportunities are often not used at all by employees. Encouragement by the company, by means of talks, posters, and suggestions, may improve such a situation. The physical development of each employee should be studied and the most effective physical development encouraged in each individual.

Almost everyone knows that good health requires:

1. Wholesome food and correct eating habits.
2. Regular exercise or work that will provide it.
3. Fresh air and sunshine.
4. Adequate rest.
5. Good physical and mental hygiene.
6. Appropriate sanitation.

The wise company will encourage its employees to maintain these requisites. To the individual, these mean that he should endeavor to obtain and practice these things in order to have the proper physical development.

For example, by wisely selecting high vitamin content foods each day, workers should live a more healthful and more enjoyable life. How can facts about proper food and vitamins be brought to the attention of workers? Some companies do it by means of leaflets from such bureaus as the Public Health Service of the United States Government, by bulletin boards, and through the foremen. As with most of these personal development problems, this is an individual matter and may be best handled individually by the medical or personnel experts in the company.

Proper working conditions, pure water, wholesome food, and fresh air—in the factory as well as in the employee's home—are essential to the well-being of the worker. In some organizations regular programs are worked out for employees individually by the health or medical department. These and the other health activities have as their purpose the development of a healthy working force and the prevention and cure of disease.

Moral Development.—Moral development, or the development of character, is usually left to the religious organizations of the community or to the individual. Many employers do not regard character building as being of concern to the company. The modern personnel point of view is that unless this problem is taken care of by the community or by the employee himself, it is up to the management to encourage him to attend church, whatever his creed, and to participate in church and religious activities. The churches, the Y.M.C.A., the K. of C., and fraternal lodges often assist and might be encouraged in the work.

To an individual, his moral development may mean:

1. Church attendance and participation in the activities of the church, whatever the creed, whether Protestant, Catholic, Hebrew, etc.
2. Practice of moral habits and substitution of good ones for the bad ones.
3. Association with persons of good moral character.
4. Reading the Bible.
5. Prayer.
6. Practicing religious precepts toward others.
7. Constant belief in God. Religious solitude.

Social Development.—Social development is essential to every business. The employees of the factory portray the personality of the plant. This is particularly true of salesmen and other representatives of organizations. It is essential that the company's personality be definitely considered and that this phase of development be carried on by intention. The recreational and social activities of the personnel department often help, but the procedures usually relied upon are personal contacts and interviews between management and employees. The example set by the management has great influence on the employees.

Probably the most objective method of guiding personality development in industrial concerns is by personality tests and rating, which are used to find out what an employee's personality is and what the opinion of others is in regard to the employee. These procedures can be used as described elsewhere in this book.⁴

To the individual social development means:

1. Participation in wholesome social activities with others—parties, get-togethers, dances, social games.
2. Joining clubs which sponsor good social activities.

⁴ See Chapters on Employment and Ratings.

3. Social and other activities conducted by the community, company, and union.
4. Learning to get along with associates in work and business.
5. Entering into activities which will make a person meet other people.

Emotional Development.—An emotion is the enjoyment or suffering of a person brought about by the thought of, the prospect of, or actual experience of gain or loss; and involves an impulse to act or action to change the cause. Some of the chief emotions may be classified as: fear of the loss of support, anger caused by restrictions, and love of fellow-employees, and sex. Other emotions may be considered as: gloom or dejection, elation, excitement, etc.

The first three emotions were observed by Watson⁵ in infants. He found that fear was aroused by loss of bodily support, etc.; anger, by restriction of movement; and love, by gentle stroking of the skin. This emphasized that some emotions are inherited and others come as a person matures and are conditioned by the environment. Man responds inherently and because of his environment. We can change a person's environment, and we can change the external things or situations which arouse inherited emotions. Practically, it is natural for a person to want to secure: food when hungry, water when thirsty, fresh air when stifled, warmth when cold, cool when hot, rest when tired, activity when well rested or bored, satisfaction when sexually aroused, protection or destruction when afraid or angry, and relief from pain or excessive pressure.

As a result of a person's environment and maturing, he wants: to have social approval, success, money, friends, self-respect, and approval; to dominate, submit to, imitate, and associate with others; to have children and to care for one's parents; to understand when not able to do so; to resent or want change or variation; and to desire pleasure, humor, and happiness.

When these cannot be obtained, we can expect anger or fear, or both; when they are obtained, we can expect happiness. The test of a good emotional health is happiness. In analyzing an employee's emotions, the first question is: Is he happy? If that question is answered in the negative, then the reasons and the difficulties that make the employee unhappy should be discovered.

Figure 65a-b is a *How Do You Feel* chart developed by the author to record in a practical manner how the employee feels, with space pro-

⁵ J. B. Watson, *Behaviorism*, New York, W. W. Norton & Co., 1925. (Also other books by J. B. Watson.)

Check on the following scale the place which describes how you feel at the time given at the head of each column.

FEELINGS OR EMOTIONS	SCALE	DATES AND DAYS—(Insert the date and day check is made—e.g. 1/12 Mon.)											
ELATED, HILARIOUS, JOYOUS	+5												
HAPPY, MERRY, OR GAY	+4												
GLAD, HUMOROUS, OR GENIAL	+3												
INTERESTED, AGREEABLE, OR PLEASED	+2												
PEACEFUL, OBLIGING, OR GOOD NATURED	+1												
NEUTRAL, INDIFFERENT, OR COOL	0												
PERPLEXED, DISTURBED, OR DULL	-1												
DISAPPOINTED, OFFENSIVE, OR PEEVISH	-2												
SAD, WORRIED, OR DISTRESSED	-3												
HATEFUL, MEAN, OR WOEFUL	-4												
RAGING, VIOLENT, OR MISERABLE	-5												

REASONS FOR FEELINGS
(Please give in the spaces to the right, and below each date, the particular reason why you feel as you have checked.)

(Name)

(Address)

Figure 65a. Chart of How You Feel

vided for the reasons why he feels that way. The employee in many cases can keep the chart himself, but in some cases it will be necessary for someone to ask the employee how he feels and the reasons, and then record them. This should be done preferably by a psychiatrist, psychologist, or trained personnel man; but the employee does his own self-analysis anyway, so this forms a more definite way of doing it with the aid of another person.

When the reasons for the unhappiness or difficulties are determined, their causes should be remedied if possible. If it is not possible, the employee should be made to realize that the causes cannot be remedied, that they are part of his life, and that he should learn to live with them as happily as possible. Knowledge of the difficulty and its cause is the first requirement for overcoming it.

The author⁶ made a study of the emotions of forty-eight persons from September to January one year. Each person recorded how he or she felt at the same time each day during those months. Some felt elated when others felt miserable; still others felt neutral, happy, and mean.

⁶ With the assistance of J. L. Cassady.

Instructions for Recording "How You Feel"

Do you ever feel elated and happy, or sometimes miserable and worried without knowing why? Most people have their good and bad days, but few know the reason. Even fewer know how frequently their moods of elation or depression occur.

The attached chart is designed to help you learn more about the frequency and the trend in your feelings as a first step in analyzing their cause.

The words describing degrees of feeling on the left-hand side of the chart were chosen by forty-eight people from a large selection of synonyms and antonyms for words denoting a state of feeling. These people rated descriptive words on a scale ranging from +5 highest to -5 lowest, according to the degree of feeling they believed each word described. The words finally selected were those upon which more than 50% of the group agreed. These are listed on the chart and are placed on the scale as the majority of the people believed they describe feeling.

The chart is constructed so that you can keep a record of your general feeling over a period of months. Fill in the date and the days of the week across the chart in the top squares as indicated. Then place a check mark at the same time each day at the level on the scale which contains words most nearly describing your feelings. Always record your feelings at the same time each day, since you may feel different early in the morning and late at night. It is best to analyze your feelings and make a decision before looking at or checking on the chart.

On the diagonal lines below the chart write briefly any particular reason why you feel as you have indicated.

This chart is the first step by which you may gain a perspective of the variations in your feelings over a period of weeks and a tabulation of what influences them. If you keep this chart faithfully, you will be able to tabulate later the reasons why you feel good or bad, and detect any periodic variations in your feelings. This in turn may help you to correct difficulties which make you feel poor at times, and to give you suggestions as to how you can increase the number of days when you feel happy or elated.

Figure 65b. Reverse Side of Chart of How You Feel

Figures 66 and 67 show the charts of two persons. Some people are generally happier than others, while others are usually distressed. Most people go up and down the scale, depending upon events, etc., of the day. In this study of forty-eight people, physical reasons were given most frequently as the reasons for feeling high or low on the scale. Colds and lack of sleep were the two most frequent reasons for low morale. Good or poor work came next, followed by outside activities, the weather, and working conditions.

Upon learning the reasons for not feeling well, some people can prevent the causes from occurring and make themselves more emotionally stable, a trait of maturity. This study shows that a plan of approach is to find the causes of feeling miserable or worried and prevent them, and to find the reasons for elation and happiness and provide them.

R. B. Hersey⁷ made a study of twelve men in a railroad shop; each had different influences affecting his life. The worker with the highest rating seemed to be very contented; his relations with his family and his work were both very pleasant. Another worker was a young man who

⁷ R. B. Hersey, *Workers' Emotions in Shop and Home*, Philadelphia, University of Pennsylvania Press, 1932.

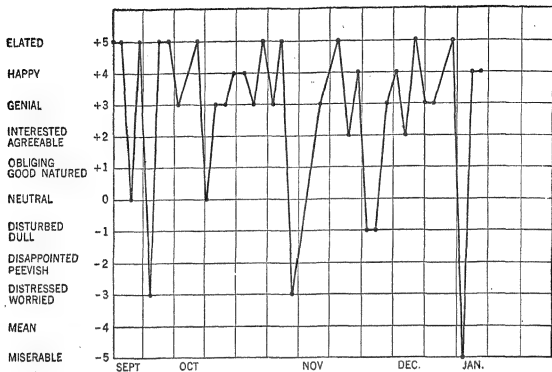


Figure 66. Graph of A's How-Do-You-Feel Chart

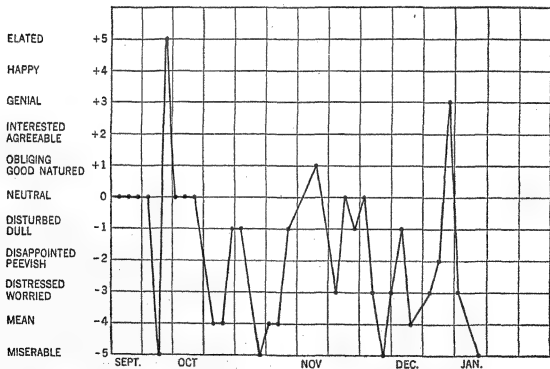


Figure 67. Graph of B's How-Do-You-Feel Chart

had troubles with his girl friends. One worker had a particularly low I.Q. Others were affected by fear of unemployment, unhappy home life, trouble with the foreman, monotony; while still others raised their moods by behavior controls and more common sense.

Dr. Hersey found somewhat regular emotional cycles.⁸ The spans of the emotional cycles had a length of from three to nine and one-fourth weeks; the average span-length was five and one-half weeks. One of the frequent causes of feeling downcast is worry.⁹

Hersey found that wide individual variations¹⁰ are caused by: (1) emotional set or bent of the individual toward a cheerful or pessimistic outlook, (2) intensity of emotional reactions, (3) power of intelligent control, and (4) kind of emotions (hope, anger, worry) usually experienced by the worker at his job. Hersey believes:

The employer or supervisor should be sincere and understanding, and the foreman should be trained in the common-sense facts of human reactions. In interviewing the worker, three items are considered: (1) a man must have a goal to work for, (2) he must feel that he is making progress, and (3) he must feel that he is doing something worth while for someone whom he admires. With these matters attended to, the worker will most generally be in a happy emotional state of mind.¹¹

In spite of all efforts on the part of a company, some employees will not cooperate or participate in any development program. Bad mental habits, such as wrong attitudes toward their jobs and life, and inferiority and superiority complexes, are often responsible factors. Other employee failures can be attributed to: job misfits, sex maladjustments, unhappy marital relations, queerness, daydreaming, bluffing, depression, physical handicaps, and fear. The proper personnel point of view toward these mental ills is that their occurrence is sometimes natural, and that they can be prevented or cured by individual attention and by the discovery of their cause. The company should attempt to prevent them rather than to wait for their occurrence. Sometimes a frank talk, particularly with a professional man, about a situation will be of great help to the employee.

Vocational Development.—Carlyle said, "Happy is the man who has found his work." If a man is not happy in his work, he is usually ineffi-

⁸ *Op. cit.*, p. 338.

⁹ "Periodic Emotional Changes in Male Workers," *Personnel Journal*, Vol. VII, No. 6, April, 1929, pp. 457-465; also "Rate of Production and Emotional State," *Personnel Journal*, February, 1932, Vol. X., No. 5, pp. 355-364.

¹⁰ R. B. Hersey, *Workers' Emotions in Shop and Home*, Philadelphia, University of Pennsylvania Press, 1932, p. 295.

¹¹ R. B. Hersey, "Psychology of Workers," *Personnel Journal*, January and February, 1936, Vol. 14, Nos. 7 and 8, pp. 291-296.

cient. The placement of an employee in the work for which he is best qualified and which he likes is essential to good industrial relations. The proper guidance of an employee involves:

1. A personnel analysis of the employee (as explained in Chapter 5 on Employment).
2. An analysis of the jobs and occupations in the company.
3. Counseling the employee concerning the occupation.
 - (a) Reading books and information about the occupation or occupations.
 - (b) Discussion with persons in the occupation.
 - (c) Tryout in the occupation.
 - (d) Comparison of employee's qualifications with the requirements of the occupation.
4. Placement of the employee in the occupation where his qualifications best fit into the requirements of the job.

Vocational adjustment may take the wise counseling of a good personnel expert. Robert Hoppock¹² found that about one-third of the employees whom he investigated were dissatisfied with their jobs. Occupational guidance in industry should prevent some of this dissatisfaction, and thereby make for greater happiness occupationally and generally.

Avocational Development.¹³—Today it can also be said, "Happy is the man who has found his recreation." Many have, but many have not; and some of those who have may not have made the wisest choice. The choice of an avocation or recreation can be wisely made in a manner similar to choosing a vocation, i.e.:

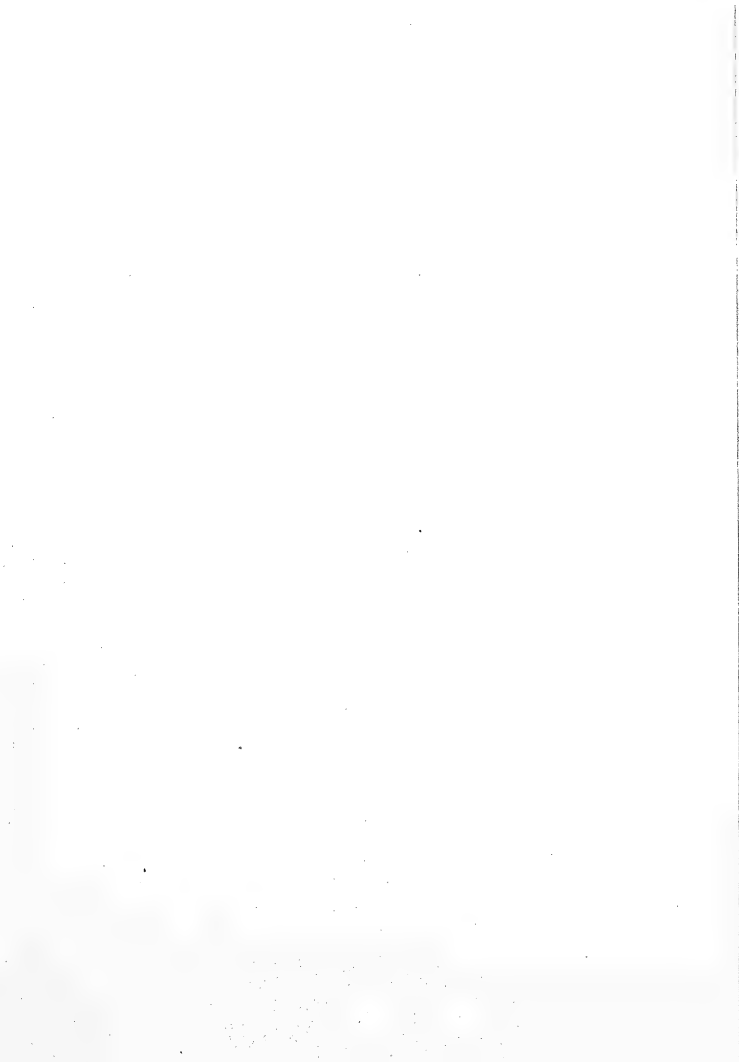
1. Reading about leisure activities.¹³
2. Discussing them with persons who know and by taking lessons or courses.
3. Actually trying them out to test the enjoyment and recreational value of them.

Recreation may be a cooperative venture of the community and the company organization. If it is not, then the company should provide facilities or at least encourage each employee to participate in proper recreation that will develop him avocationally to the point where he will enjoy himself more, and thereby make himself better for his vocation. Fishing, dramatics, music, and other clubs may help.

¹² Robert Hoppock, *Job Satisfaction*, New York, Harper & Bros., 1935.

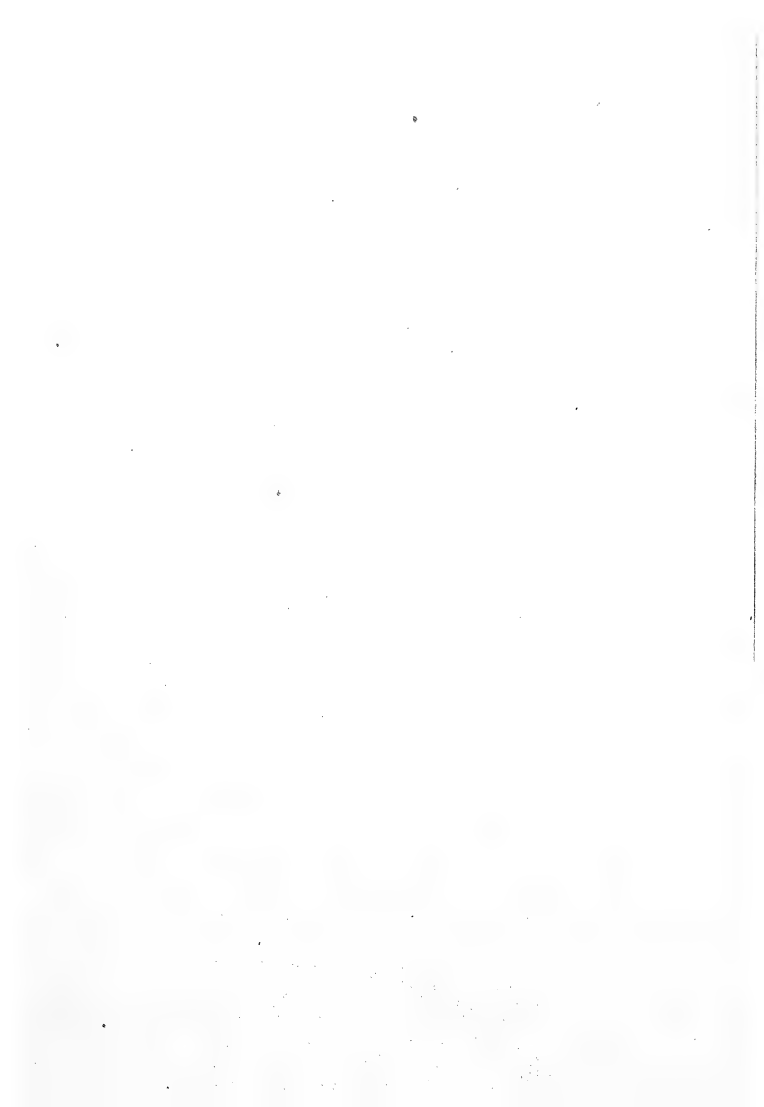
¹³ See the bulletins of the Industrial Recreation Association, Chicago; and the Industrial Recreation Section of Purdue University, Lafayette, Ind.

All of this discussion presupposes that the employee has an adequate goal or purpose in his life and work and that the company has given him work as near to his interests as it can. Both an adequate purpose and correct interests are necessary for the fullest personal development in all of the phases of development discussed here. A company can well encourage each employee to have an adequate goal and purpose. If an employee does not, then the company can provide him with a broad company or national ideal for which to work.



PART IV

GOVERNMENTAL COOPERATION WITH AND REGULATION OF PERSONNEL RELATIONS



CHAPTER 17

BACKGROUND OF PERSONNEL RELATIONS UNDER GOVERNMENTAL COOPERATION AND REGULATION

In any democracy there are persons and "pressure" groups who endeavor to carry on practices which are against the rules and regulations of the majority. It has been estimated that about one-tenth of the employers are unreasonable and would try to do less than the laws regulating industry would require, and about one-tenth of the union leaders are unreasonable. That one-tenth of the employers tends to degrade labor, maintains sweatshop conditions, pays the least possible wages at a standard of living below health and decency, takes advantage of labor, and tries to ruin unions. On the other hand, the one-tenth of labor leaders may try to usurp power and money from the workers in those unions and ruin the employers if they do not pay tribute. This one-tenth on both sides, which tries to be unreasonable or to take advantage of the others, has to be regulated in an attempt to make them comply with the standards and laws which the other nine-tenths of employers and workers abide by as reasonable. In other words, there must be legal minimums under which the usurpers cannot go without penalty of the law.

Personnel relations have in recent years been passing through a period of increasing federal and state governmental regulation as evidenced by the National Industrial Recovery Act, the National Labor Relations Act, the Wage and Hour Bill, the Social Security Law, War Labor Disputes Act, and various other legislation. This growing tendency to regulate personnel relations may bring to the personnel relations manager of the future the necessity for participating more and more in what might be called the politics of governmental regulation of personnel relations, either from the point of view of cooperating with regulatory administrations or that of securing the passage of regulations. Therefore it may be well to discuss the historical background of personnel relations with emphasis upon governmental regulation and the philosophy behind such trends.

The regulating of personnel relations by the government, or the endeavor to do so, is almost as old as industry itself and industry's opposition to such regulation. Industry has always wanted to manage its own affairs without governmental interference.

Background of Governmental Regulation of Personnel Relations in the United States

The underlying industrial philosophy of England, coming through a monarchy, accepted more readily the regulation of industrial relations¹ as a public policy than did or does industry in the United States. The American Colonies were established on the basis of individualism, industrial enterprise, and freedom from governmental regulation without representation. Because of this tradition, governmental regulation of personnel relations has not been accepted readily.

Early Attempts to Regulate Industry and Business.—In colonial days individual initiative was encouraged for greater productivity and accomplishment. Labor was free to move if regulations by either the state or management became too severe. This was followed by the philosophy of *laissez-faire*, under which freedom of competition reigned almost supreme. Little regulation of personnel relations occurred until the latter quarter of the nineteenth century. One of the early regulatory measures was the Interstate Commerce Act of 1887, which had but little effect and was soon followed in 1890 by the Sherman Anti-Trust Act, which endeavored to prevent monopolies and combinations in restraint of trade as a result of agitation against monopolies which prevented industrial enterprise. This was followed by a series of acts from the Elkins Act and the Expediting Act of 1903, the Hepburn Act of 1906, the Mann-Elkins Act of 1910, and the Adamson Eight-Hour Act of 1916, which entered a new sphere in governmental activity by attempting to regulate hours of work. Attempts were made to prevent monopolies with but little success in the early part of this century.

Probably the first direct attempt to determine personnel relations by public policy was that of the Workmen's Compensation Legislation. The Congress of the United States passed a Workmen's Compensation Act in 1908, which gave compensation to certain classes of governmental employees. This was followed by many state laws, until every state in the Union except one has a Workmen's Compensation Act.

Governmental Regulation of Industry During World War I.—World War I brought about probably the greatest regulation of industry that this country had seen up until that time. The government took more control of industry and commerce in the emergency under the Council

¹ See Statute of Laborers, 1351; Statute of Apprentices, 1563; Factory Health and Morale Act of 1802 and Other Factory Acts, 1819, 1831, 1833, 1844, 1847, 1864, 1867, 1871, 1874, 1878, 1880, 1890, 1892, 1897; The Trade Boards Act, 1909; The Trades Union Act, 1913; Emergency Powers Act, 1920; and the Trade Disputes and Trades Union Act of 1927.

of National Defense and especially through its subsidiary, the War Industries Board.

On April 8, 1918, the President of the United States established the National War Labor Board. The enlistments in the army caused a great shortage of manpower, which, combined with rising prices and living costs, brought about much labor unrest in industries manufacturing war materials. The purpose of the Board was, therefore, to settle labor disputes in these industries. During its thirteen months' existence, it made 520 formal awards and findings, 125 of which called for the establishment of some form of employee representation.² Collective bargaining was one of the principles upon which the Board based its judgments. The Board recognized and affirmed the right of workers to organize in trade unions and the right of employers to organize in associations or groups for the purpose of collective bargaining.³ The improvement in the adjustment of labor disputes was one of the contributions the National War Labor Board of World War I made to industry and to personnel relations.

During the war, industry had increased its ability to produce. With its increased efficiency and production capacity, it could produce in such a quantity as to meet reduced prices. This combined with the restriction of immigration, the application of science, the introduction and growth of new products such as the automobile and the radio, and better banking facilities led to the prosperity of 1922 to 1928, when little attention was paid to governmental regulation of personnel relations.

Difficulty between carriers and their employees when the government returned the operation of railroads to private control after World War I, resulted in the passage of the Transportation Act of 1920 (Esch-Cummins). This provided for a tripartite railroad labor board, consisting of representatives of the railroads, the employees, and the public. Although this Board had fact-finding powers, it did not have the powers of enforcement to make effective use of its findings. Coercion through public opinion was its only method. One of the biggest weaknesses in this Act was that employers were not prohibited from interfering with their employees' selection of representatives.

As the railroads had been regulated by the government more than any industry in this country, this industry was the first to have its industrial relations policy stated as the public policy of the country. The Railway Labor Act was passed in 1926⁴ with the following conditions: Creating

² The National Industrial Conference Board, "Collective Bargaining through Employee Representation," New York, 1933, pp. 6-11.

³ "American Industry in the War, A Report of the War Industries Board," Bernard M. Baruch, Chairman, 1921, p. 357.

⁴ This Act was declared constitutional by the United States Supreme Court in 1930 in the *Texas v. New Orleans Railroad Case*.

the United States Board of Mediation, it required carriers and their employees to make and maintain agreements by collective bargaining. It forbade each side to interfere with the other, and directed that all disputes be handled in conference by representatives of the parties concerned. The Act further provided that appeal could be taken to the United States Board of Mediation, which was authorized to mediate and persuade the parties to agree to arbitration when agreements could not be reached or disputes settled by conference. These arbitration agreements were enforceable in the federal courts.

In 1934, the Railway Labor Act was amended, and the present National Mediation Board of three members was created instead of the original Board of Mediation consisting of five members.

The National Mediation Board settles disputes between employees regarding representation for the purpose of collective bargaining, and when requested to do so, conducts elections and certifies to the employer the names of the duly designated representatives. It arbitrates and mediates in disputes between employers and employees, settles strikes, and performs certain duties in connection with interpretation and application of various collective bargaining agreements. The 1934 amendments provided that the majority of any craft or class of employees shall have the right to determine who shall represent that class or craft; that the railroad shall not interfere with the selection of representatives by employees; that it must on demand submit its payroll to the National Mediation Board in order to facilitate its work in the conduct of elections; that the railroad shall not deduct dues for any labor organization or assist a labor organization financially or otherwise; and that the employer must deal with the employee representatives certified to him by the National Mediation Board. Special attention is called to the section on the right to organize and bargain collectively in this Act, which is similar to the previous statement of the principles of the National War Labor Board. This Act has continued to function through the years, with relatively fewer disputes in this industry than previously.

The settlement of the railroad wage dispute in 1938 is a good example of how the Railway Labor Act functioned. This dispute started in May, 1938, when the carriers announced a reduction in the basic rates of pay to be effective July 1. This proposal was discussed in a joint conference between the representatives of the unions affected and the individual managements according to the procedure set up by the Railway Act. Because this concerned the wage rates of more than a million workers, it was decided to discuss the dispute in a joint conference on a national basis. No conclusion was reached, and in July the railroads called in

the National Mediation Board. When mediation failed, the Mediation Board requested that the controversy be submitted to arbitration. The railroads agreed, but the unions refused to arbitrate, and so the Mediation Board withdrew its services.

At that point the railroads once more notified the employees that effective October 1, there would be a 15% reduction in wages. The unions called a strike vote, and in September announced that effective October 1, there would be a nation-wide railroad strike.

Because of the far-reaching effects on commerce and transportation such a strike would cause, President Roosevelt, according to procedure set up by the National Railway Labor Act, appointed an Emergency Board to find and report the facts of the dispute to him. Thirty days are allowed for such a Board to ascertain facts and present a report. During this time and for thirty days after the report has been submitted, the *status quo* of the conditions causing the dispute must be maintained. The Emergency Board conducted hearings and collected facts the first two weeks in October, and the report of findings and the recommendations were submitted to the President of the United States. On the basis of the Emergency Board's report, it was decided that the railroad workers' wages were in line with other industries and were not too high. Therefore, the conclusion was that the rates should not be lowered.

The depression in 1929 brought with it unemployment, lower incomes from wages, and other difficulties. Demands for some provision for the unemployed and for more regulation of industrial relations increased, until in 1932 the presidential campaign was won on a program of recovery from the depression. The victorious Democrats soon initiated the New Deal program of social reforms.

Even before the New Deal, however, unions had been having much difficulty with injunctions being granted against them; the courts holding that strikes were monopolistic restraint of trade. On March 23, 1932, Congress passed the Norris-LaGuardia Anti-Injunction Act (H.R. 5315: 29 U.S.C. 102) signed by President Hoover, limiting court powers to issue injunctions in labor disputes as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress Assembled, That no court of the United States, as herein defined, shall have jurisdiction to issue any restraining order or temporary or permanent injunction in a case involving or growing out of a labor dispute.

This law was hailed by labor as a great protection.

The National Industrial Recovery Act.—One of the first New Deal laws which affected personnel relations greatly was the National Indus-

trial Recovery Act, passed in 1933. The N.I.R.A. (Public No. 67-74d Congress-H.R. 5755) was an Act "to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes" enacted by the Senate and the House of Representatives of the United States and approved on June 16, 1933.

The Act was made up of three titles: Title I—Industrial Recovery, Title II—Public Works and Construction Projects, and Title III—Amendments to Emergency Relief and Construction Act and Miscellaneous Provisions. Title I refers more than the others to industrial relations, and contains the following sections:

Section 5. [Provisions of this Act were exempt from the antitrust laws.] Nothing in this Act, and no regulation thereunder, shall prevent any individual from pursuing the vocation of manual labor and selling or trading the products thereof; nor shall anything in this Act, or Regulation thereunder prevent anyone from marketing or trading the produce of his farm.

Section 7. (a) Every code of fair competition, agreement, and license approved, prescribed, or issued under this title shall contain the following conditions:⁵

- (1) That employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection;
- (2) That no employee and no one seeking employment shall be required as a condition of employment to join any company or to refrain from joining, organizing, or assisting a labor organization of his own choosing; and
- (3) That employers shall comply with the maximum hours of labor, minimum rates of pay and other conditions of employment, approved or prescribed by the President.

On June 19, 1933, within a few days after the approval of the N.I.R.A. by Congress, trade associations or groups were invited⁶ to submit without delay basic codes consistent with the Act, concerning "maximum hours of labor, minimum rates of wages, and such means as

⁵ Note similarity in wording here with Railway Labor Act of 1926, and the War Labor Board's principles in 1918.

⁶ National Recovery Administration Bulletin, No. 2, *Basic Codes of Fair Competition*, Washington, D. C., Government Printing Office, 1933.

each industry may find necessary to protect its constructive and cooperating majority from the wasteful and unfair competition of minorities or recalcitrants."

Upon the recommendation of the Industrial and Labor Advisory Boards of the N.I.R.A., the National Labor Board was created on August 5, 1933, by an Executive Order of the President of the United States. The duties of the Board were set forth as follows:⁷

The board will consider, adjust, and settle differences and controversies that may arise through differing interpretations of the President's Reemployment Agreement and will act with all possible dispatch in making known their findings. In return, employers and employees are asked to take no disturbing action pending hearings and final decisions.

The activities of the National Labor Board were decentralized by the Executive Order of August 5, 1933. Regional Labor Boards were established in October, 1933, and given general instructions as to policies, procedures, and reports on adjusting disputes in the local areas in which they arise.

During the first three months of the National Labor Board's activities, some question arose as to the final legality of the Board. In order to clarify the status of this Board and to give it final sanction, the President of the United States issued an Executive Order on December 16, giving the Board the following powers:

1. To settle by mediation, conciliation or arbitration all controversies between employers and employees which tend to impede the purposes of the National Industrial Recovery Act, provided, however, the Board may decline to take cognizance of controversies between employers and employees in any field of trade or industry where a means of settlement, provided for by agreement, industrial code, or Federal law, has not been invoked.

2. To establish local or regional boards upon which employers and employees shall be equally represented, and to delegate thereto such powers and territorial jurisdiction as the National Labor Board may determine.

Senator Wagner emphasized to the author in 1933 that all the policies of the National Labor Board could be summed up in the word "mediation" between the parties in dispute, with the Board as the mediator. He stated that it was the purpose of the Board to meet with the parties in dispute as a friend of each in order to effect an agreement and a better human understanding between them; that the Board had no written set

⁷ *Monthly Labor Review*, September, 1933, Vol. 37, No. 3, p. 552.

of general rules by which it mediated disputes, but that "fair dealing to all parties concerned" was the basic principle under which the Board worked for mutual understanding between employers and employees. The word "mediate" seemed to be preferred to "arbitrate," because the latter seemed in his mind to indicate too much compulsion or authority on the part of the Board, and the former contained more the conception of mutual conferring together.

The idea of friendly mediation is borne out in this statement⁸ by Senator Wagner: "Deep seated animosities cannot be legislated out of existence. Kindness and helpfulness must permeate our industrial relations. A true cooperation, based on mutual understanding, is the only solution for our difficulties."

From these and other statements by members of the Board, it was apparent that it was a combination of mediation and arbitration.⁹ The Executive Order of the President on December 6, 1933, gave both mediation and arbitration powers to the Board and the Regional Boards. In about four-fifths of the cases settled by the National Labor Board, the settlement was by an agreement between each party of the dispute and the Board with the agreement binding both parties. Usually the cases were not settled directly between the two parties. This might be considered as voluntary mediation and compulsory award agreement. In twenty-nine cases, decisions were made by the Board in which the form might be considered voluntary arbitration and compulsory agreement or award. The writer understood from Senator Wagner that arbitration was voluntary on the part of either party of the dispute but not necessarily on the part of both. If one party complained to the Board, the Board could ask the other party to come before it. To that other party the function of the Board was compulsory arbitration and compulsory award.

The National Industrial Recovery Act was declared unconstitutional by the United States Supreme Court in 1935. Nevertheless it was probably the most decided and emphatic step toward governmental regulation of industrial relations. Under this Act over 500 industrial codes were approved and in effect when the Act was declared unconstitutional on

⁸ S. J. Woolf, "Wagner Foresees a New Industrial Day," *New York Times Magazine*, November 12, 1933, pp. 6 and 18. However, Senator Wagner took a slightly different point of view toward collective bargaining under Section 7(a) when he introduced the Wagner Bill in Congress in 1934. See National Recovery Administration Release 3533, 1934, and *New York Times*, May 13, 1934, p. 26.

⁹ G. G. Groat, in *Organized Labor in America*, New York, The Macmillan Co., 1916, p. 205, distinguishes conciliation as the settlement of a dispute between employees and employer without the assistance of an outside party "tendering their friendly offices" to bring about a settlement between them; and arbitration as the admission of the dispute to an impartial body who after a hearing renders a decision. Arbitration can be compulsory or voluntary, and the award can be compulsory or voluntary.

May 27, 1935. The principal reason for the unconstitutionality was given by the Chief Justice in his opinion:

Section 3 of the Recovery Act is without precedent. It supplies no standards for any trade, industry, or activity. It does not undertake to prescribe rules of conduct to be applied to particular states of fact determined by appropriate administrative procedure.

Instead of prescribing rules of conduct, it authorizes the making of codes to prescribe them. For that legislative undertaking, Section 3 sets up no standards, aside from the statement of the general aims of rehabilitation, correction, and expansion described in Section 1. In view of the scope of that broad declaration, and of the nature of the few restrictions that are imposed, the discretion of the President in approving or prescribing codes, and thus enacting laws for the government of trade and industry throughout the country is virtually unfettered. We think that the code-making authority thus conferred is an unconstitutional delegation of legislative power.¹⁰

On March 1, 1934, a bill was introduced into Congress creating a National Labor Relations Board to replace the National Labor Board. Because of differences of opinion and delay, it was replaced by Public Resolution No. 44, which authorized the President to create a board or boards to handle labor relations. The other authorities under the N.I. R.A. also had the power to establish agencies to handle labor matters. The relationship of these agencies to each other was not clear, and so confusion and misunderstanding resulted.

Then in February, 1935, Senator Wagner introduced an Act entitled the *National Labor Relations Act*, commonly called the Wagner Act, which was approved by both Houses of Congress and signed by the President on July 5, 1935. When this Act was passed, the labor unions considered it a Magna Charta for labor, and organization of workers proceeded at a rapid rate even though many employers thought the law was unconstitutional. This impression of employers was dispelled when the Supreme Court of the United States upheld the constitutionality of the National Labor Relations Act on April 12, 1937. From the point of view of the public policy or the regulation of industrial relations, the conditions of this Act reach further than any in the past into the regulation of industrial relations. As its conditions are so important, they warrant serious study by all students of industrial relations.

Then came the World War II, which brought with it many difficulties in personnel relations. First, in production for defense came labor dis-

¹⁰ "Decision of Supreme Court on the National Industrial Recovery Act," *Monthly Labor Review*, Vol. 40, No. 6, U. S. Department of Labor, Bureau of Labor Statistics, Washington, D. C., Government Printing Office, June, 1935.

putes over wages, organization, and working conditions and the setting up of the National Defense Mediation Board to provide a method of settling them. Many bureaus, such as the Office of Emergency Management, Office of Production Management, came into existence to bring about greater production.

When the war was declared after the attack on Pearl Harbor "all out" production began, and bureaus, offices, and boards were established by law and Executive Orders to promote production. The Defense Mediation Board became the National War Labor Board to settle personnel relations disputes and strikes. The War Production Board, the Office of Economic Stabilization, and the War Manpower Commission were formed.

Considerable regulation of and cooperation with industry and business were established by these governmental agencies. Still a sufficient number of strikes and personnel relations difficulties occurred to cause Congress to pass, in 1943, the War Labor Disputes Act¹¹ (Smith-Connally Bill), strengthening the powers of the National War Labor Board and the President of the United States in regulating industry. Under executive orders and under the War Labor Disputes Act more than two score government seizures of war plants occurred, such as the North American Aviation Co., Federal Shipbuilding and Drydock Co., and the General Cable Corp. The most notable of these seizures was that of Montgomery Ward & Co. in Chicago in April, 1944. When the company would not carry out the directions of the War Labor Board to bargain with the union and grant a maintenance of union membership, the government seized the company to the extent that the president of the company was carried out of his office bodily by governmental troops. Much discussion of the Montgomery Ward seizure occurred even in Congress to the extent of political implications. Further, the United States Court of Appeals for the District of Columbia held that the War Labor Board was above review by the courts and that no statute authorizes review of the Board's orders.¹²

As sufficient war materials were produced, cancellations of government contracts permitted slowly the change-over to the production of civilian goods and services of a peacetime economy, bringing with it further problems of regulation of employment¹³ and other personnel relations matters considered in this book.

¹¹ See discussion of this Act in Chapter 21.

¹² *New York Times*, June 3, 1944.

¹³ Discussed in Chapter 20 on Social Security.

CHAPTER 18

THE NATIONAL PERSONNEL RELATIONS POLICY

The Provisions of the National Labor Relations Act

The National Labor Relations Act¹ aims at "diminishing the causes of labor disputes burdening . . . interstate and foreign commerce." It includes: a statement of the findings and public policy; definitions of the terms used; provision for the creation of the National Labor Relations Board (N.L.R.B.); a statement of the rights of employees; procedure for the designation and election of representatives; provisions empowering the N.L.R.B. to prevent unfair labor practices; a statement of the investigatory powers of the Board; and a statement as to limitations of the Act.

With the constitutionality of the National Labor Relations Act established by the U. S. Supreme Court in 1937, the provisions of the Act became the policy of the United States. The findings and policy of the Act are those under which all industrial relations policies, whether they are of the worker or of management, must exist and against which no industrial relations policy can go. Those provisions are the law of the land, and whether or not those managing industrial relations, either employer or union, like the provisions of the Act, it is necessary for them to comply.

Findings and Policy.—The Act declares that the denial of the right of employees to organize and the refusal of employers to accept collective bargaining lead to strikes and other forms of industrial disputes which obstruct commerce (interstate and foreign). It declares that inequality of bargaining power between the employees and the employer burdens commerce, aggravates depressions, and prevents the stabilization of wage rates. It declares that experience has proved that the protection of the right to organize and bargain collectively safeguards and promotes commerce. Because of these facts, the Act declares the policy of the United States to be:

to eliminate the causes of certain substantial obstructions to the free flow of commerce and to mitigate and eliminate these obstruc-

¹ For complete text of the National Labor Relations Act, see Public No. 198, 74th Congress [S. 1958].

tions when they have occurred by encouraging the practice and procedure of collective bargaining and by protecting the exercise by workers of full freedom of association, self-organization, and designation of representatives of their own choosing, for the purpose of negotiating the terms and conditions of their employment or other mutual aid or protection.

The two principal provisions in this policy are: encourage collective bargaining, and provide for freedom of association, self-organization, including the designation of representatives of the employees' own choosing.

The first provision establishes collective bargaining as a national policy. Although a definition of collective bargaining is not given in the Act, the meaning and proof of collective bargaining are left to the National Labor Relations Board with reference to the facts in each case coming before it.

From the decisions of the Board, the opinions of the U. S. Supreme Court, and the Act itself, a definition of collective bargaining by the author is: the negotiation in good faith between an employer or his chosen representatives and his employees as a group or the representatives chosen by the majority of his employees, of a written agreement on wages, hours, and other basic conditions of employment.²

The Act does not stipulate what the resulting conditions of collective bargaining shall be. It does not impose upon the employer that he must accept the terms which the employees propose. But according to the decisions of the Board, a final objective seems to be that the employer and his employees or their representatives shall negotiate in good faith. If there is an agreement or a meeting of minds on wages, hours, and/or conditions of employment, then the Board has held that a written agreement is a part of collective bargaining, because a written document between two parties to an agreement is considered good business practice.

The terms "person," "employer," "employee," "representatives," "labor organization," "commerce," "affecting commerce," "unfair labor practice," "labor dispute," and "National Labor Relations Board" are defined by the Act.

National Labor Relations Board Created.—A National Labor Relations Board composed of three members appointed by the President, by and with the advice and consent of the Senate, is created by the Act, with one member as chairman. The Board appoints its employees without regard for the provisions of the Civil Service laws. The Board has

² For analysis of this definition, see the section on collective bargaining in Chapter on Labor Unions in a Democracy.

the authority to make, amend, and rescind rules and regulations necessary to carry out the provisions of the Act.

The Board's main duties are to encourage collective bargaining, to prevent unfair labor practices, and to guarantee to the employees their rights as defined in the Act.

Rights of Employees.—The following rights are guaranteed to employees by the Act:

Section 7. Employees shall have the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted activities, for the purpose of collective bargaining or other mutual aid or protection.

The Board is empowered to prevent the following unfair labor practices by an employer:

(1) To interfere with, restrain, or coerce employees in the exercise of the rights guaranteed in section 7.

(2) To dominate or interfere with the formation or administration of any labor organization or contribute financial or other support to it: Provided, That subject to rules and regulations made and published by the Board pursuant to section 6 (a), an employer shall not be prohibited from permitting employees to confer with him during working hours without loss of time or pay.

(3) By discrimination in regard to hire or tenure of employment or any term or condition of employment to encourage or discourage membership in any labor organization: Provided, that nothing in this Act, or in the National Industrial Recovery Act (U.S.C., Supp. VII, title 15, secs. 701-712), as amended from time to time, or in any code or agreement approved or prescribed thereunder, or in any other statute of the United States, shall preclude an employer from making an agreement with a labor organization (not established, maintained, or assisted by any action defined in this Act as an unfair labor practice) to require as a condition of employment membership therein, if such labor organization is the representative of the employees as provided in section 9 (a), in the appropriate collective bargaining unit covered by such agreement when made.

(4) To discharge or otherwise discriminate against an employee because he has filed charges or given testimony under this Act.

(5) To refuse to bargain collectively with the representatives of his employees, subject to the provisions of section 9 (a).

Representation and Elections.—Representatives selected for the purposes of collective bargaining by the majority of the employees in the unit, determined by the Board to be appropriate for that purpose, are

the exclusive representatives of all employees in that unit. However, an individual employee or a group of employees has the right at any time to present grievances to their employer.

Whenever a dispute arises over a question concerning the representation of employees, the Board may investigate the controversy and may take a secret ballot to ascertain the representatives and certify to the parties the name of the representatives.

Prevention of Unfair Labor Practices.—When a charge has been made that a person has engaged in an unfair labor practice, the Board or its agent serves a complaint upon such person stating the charge and giving notice of hearing before the Board or its agent. The person so complained of may answer the original complaint. Upon the basis of the testimony taken, the Board decides whether the person named in the complaint has engaged in or is engaging in an unfair labor practice. The Board states its findings and issues an order to cease and desist from such unfair labor practice if such has been found. If the person complained against does not obey the Board's cease-and-desist order, the Board has the power to petition any United States Circuit Court of Appeals for enforcement of such an order.

Investigatory Powers.—The Board or its duly authorized agents have access to, for the purpose of examination, and the right to copy any evidence of any person being investigated or proceeded against that relates to any matter under investigation in question. The Board has the right of subpoena, and may administer oaths and affirmations, examine witnesses, and receive evidence. In cases of refusal to obey the subpoenas, the person may be found guilty of contempt of court and punished accordingly.

Limitations.—There are limitations to the Act, especially section 13, which says: "Nothing in this act shall be construed so as to interfere with or impede or diminish in any way the right to strike."

Organization and Activities of the National Labor Relations Board

The National Labor Relations Board consists of three members appointed by the President. (In 1944 they were H. A. Millis, Chairman; John M. Houston, member; and Gerard D. Reilly, member.)

In general, the Board consists of the following divisions: the administrative division, the legal division (litigation and review sections), the trial examiner's division, the division of economic research, the division of publications, and the field division. The field division consists of

twenty-two regional offices located throughout the United States,³ each headed by a regional director, who is assisted in his work by a field examiner and a regional attorney and associates.

The nature of the National Labor Relations Board was described by President Roosevelt when signing the Act as follows:

The National Labor Relations Board will be an independent quasi-judicial body. It should be clearly understood that it will not act as a mediator or conciliator in labor disputes. The function of mediation remains under this act, the duty of the Secretary of Labor and of the Conciliation Service of the Department of Labor. It is important that the judicial function and the mediation function should not be confused. Compromise, the essence of mediation, has no place in the interpretation and enforcement of the law.

The National Labor Relations Act grants to the Board the authority to make, amend, and rescind such rules and regulations as may be necessary to carry out the provisions of the Act. These rules and regulations are published and revised from time to time and give the procedure (under section 10 of the Act) for the prevention of unfair labor practices and for the investigation and certification of representatives [under section 9 (c) of the Act] and other rules and regulations.

The activities of the Board are shown by the number of cases filed with the Board. From 1936 to 1942 inclusive, 48,775 cases were filed with the Board—28,903 unfair labor practice cases and 19,872 representation cases. Detailed analyses of cases handled by the Board with a breakdown by union or party filing, the cases received and the workers involved are reported in the annual reports of the Board.

Procedure Before the National Labor Relations Board⁴

The union may file a charge against the company for unfair labor practices such as interference, restraint, or coercion of employees; domination of, or interference with the formation of a union; discrimination; or refusal to bargain collectively. This charge must be filed (in writing and notarized) with the regional director in whose region the unfair labor practice occurs. The charge identifies the labor organization and management concerned and gives the facts of the case.

If the regional director considers the charge to be just and valid, he will serve a formal complaint on the employer and set the date for a hear-

³ See *Sixth Annual Report of the National Labor Relations Board*, Washington, D. C., Government Printing Office, 1942, p. 107, for location of these offices in 1942.

⁴ See National Labor Relations Board, *Rules and Regulations*, Series 2, as amended, effective April 22, 1941, Washington, D. C., Government Printing Office, for full rules and regulations.

ing before a trial examiner. The labor organization may appeal to the N.L.R.B. in Washington, should it disagree with the regional director's handling of the charge.

The employer (the respondent to the case) has ten days in which to answer the complaint and present his defense, unless the time is extended by the regional director. The employer's answer may be amended at any time previous to the hearing. Motions asking for orders or reliefs must be filed in writing with the regional director. The trial examiner rules on all motions. An outside party may intervene in a proceeding by filing a motion with the regional director before the hearing and with the trial examiner during the hearing. All motions and rulings become part of the record of the case.

The hearing is conducted by a trial examiner who is appointed by the Board. The trial examiner inquires into the facts of the case and may issue subpoenas for witnesses and other kinds of evidence. Both parties may attend the hearing, call witnesses, and introduce or demand evidence. Any objection, in writing or orally, may be stated and included in the record. Time is allowed for oral argument, but this is not included in the stenographic record, unless so directed by the trial examiner. Each party may file a brief during the hearing.

After the hearing, the trial examiner files an Intermediate Report with the regional director, who then sends it to the Board in Washington. This report should contain the findings of fact and recommendations of disposition of the case. The Board sets the date for the transfer of the case and notifies the parties concerned, the trial examiner, and the regional director.

After the Intermediate Report is filed with the Board, the parties are given twenty days in which to file exceptions to the Report. If there are no objections, it is assumed that the parties are in agreement with the Report. After the twenty-day period for filing exceptions has elapsed, the case may be decided on the record, decided after the filing of briefs, decided after oral argument, reopened for further evidence, or closed in compliance with the Intermediate Report.

In order to strengthen the Act, the Board may have a charge filed in Washington, or direct that a charge filed with a regional director be transferred and continued before the Board, be consolidated with another proceeding dealing with the same problems, be transferred or continued in another region, or be severed from any proceeding with which it was previously consolidated. If any party should take exception to this, it may file a statement within twenty days. It may file a brief thirty days after the proposed findings. Until a record of the case is filed in a court, the Board may modify it.

The rules and procedures for the investigation and certification of representatives are the same as those followed in determining unfair labor practices. A petition for investigation may be filed in writing with the regional director by an employee, a labor organization, or an employer. After the petition is filed, the Board may direct the regional director to start an investigation and set the date of hearing before a trial examiner. A record of the proceedings is sent to Washington at the close of the hearing. The Board may direct that a secret ballot be taken by employees under the direction of an agent appointed by the Board. This agent makes an Election Report, which may be disputed within five days, that is, before it is sent to the Board in Washington. If objections are filed, the agent may investigate the facts and write up a Report on Objections and send it to Washington with the Election Report.

When deemed necessary to carry out the purposes of the Act, the Board may permit a petition requesting investigation and certification or it may conduct an investigation on its own motion. It may order that a petition be transferred and continued before it, be consolidated with another proceeding in the same region, be transferred and continued in another region, or be severed from another proceeding with which it had been consolidated.

Principles Established by the Board

As a result of its work, the Board has enunciated certain principles under which it acts. With reference to interference, restraint, and coercion [section 8 (1)] in the exercise of the rights guaranteed in section 7 of the Act, the Board has established certain practices as being unfair to labor. Examples of these are:

1. Encouraging civic hostility to unions and union members. (13 N.L.R.B. 746.)
2. Public celebration of the defeat of a union in collective bargaining elections. (20 N.L.R.B. 17 and 15 N.L.R.B. 912.)
3. Campaigning to prevent employees from participating in an election directed by the Board. (16 N.L.R.B. 532.)
4. Instituting a wage increase coupled with statements that a union was not necessary to secure it. (13 N.L.R.B. 699.)
5. Making anti-union threats—threats of discharge or other discrimination or of bodily harm. (1 N.L.R.B. 68 and 6 N.L.R.B. 284.)
6. Labor espionage by employer, employees, company spy systems, employers' associations, police departments, or detective agencies.

Among other acts, the following were established as discriminatory as they discouraged membership in a labor organization:

1. Blacklisting. (15 N.L.R.B. 36.)
2. Using union membership or activity as a basis for putting men back to work following a strike. (26 N.L.R.B. 1.)
3. Discharging or otherwise discriminating against an employee because he has filed charges or given testimony under the Act. (29 N.L.R.B. 135.)

However, the employer has not been deprived of his right to select or discharge his employees for any reason other than those forbidden by the Act. He may hire or fire anyone as long as he is not motivated by anti-union considerations. Discharge of employees actuated by their misconduct, and not by their union membership or activity, is not discriminatory. (32 N.L.R.B. 104.)

Concerning collective bargaining, the Board declares the following to be unfair labor practices:

1. Refusal to negotiate with the statutory representative of a union concerning conditions of employment. (24 N.L.R.B. 41 and 23 N.L.R.B. 1.)
2. Reliance on a prior sitdown strike as a reason for refusing to bargain. (13 N.L.R.B. 484.)
3. Making it a condition precedent to bargaining that the exclusive representative secure agreements from the employer's competitors. (22 N.L.R.B. 65 and 21 N.L.R.B. 72.)
4. Refusal to bargain because of doubt that a labor organization represents a majority of the employees in an appropriate unit. [Cf. N.L.R.B. v. Remington Rand, Inc., 94 F. (2d) 862 (C.C.A. 2), cert. den. 304 U. S. 576, 585—the employer's obligation under section 8 (5) is the obligation to accept *in good faith* the procedure of collective bargaining as historically practiced.]
5. Refusal to enter into signed binding agreements embodying understandings reached with the statutory representatives. (22 N.L.R.B. 13.)

Domination and interference with the formation or administration of a labor organization and contributing financial or other support to it are established by acts such as the following:

1. Direct or indirect financial or other support of unions. (21 N.L.R.B. 1.)

2. Revision of prior company-dominated organizations, or the substitution for them of new organizations is a common device for disguising unlawful interference. (12 N.L.R.B. 1414, 18 N.L.R.B. 46, 22 N.L.R.B. 1, 22 N.L.R.B. 31, 19 N.L.R.B. 93, 21 N.L.R.B. 24, 15 N.L.R.B. 749, 15 N.L.R.B. 676.)
3. Affiliation with a national labor organization is not sufficient to change the character of a company-dominated union. (N.L.R.B. 749.)

The Board has also established as unfair labor practices combinations of several or many of these principles, such as the Mohawk Valley Formula.⁵

With reference to investigation and certification of representatives, the Board has also developed certain principles⁶ in regard to:

1. Issuance of directions of election or certification.
2. Direction of election:
 - (a) Date of election.
 - (b) Eligibility to vote.
 - (c) The ballot.
3. The direction of a run-off election.
4. Objections pertaining to elections and run-off elections.
5. Certification following an election.
6. Adequate proof of majority representation where no election is held.

The National Labor Relations Act and the Supreme Court

Although the National Labor Relations Act states the conditions of the Act, the interpretations of the Act must be tested in the courts of law to determine whether or not they are ultimately constitutional. The Supreme Court of the United States, being the highest court in the land, gives the Act its final test. If the Supreme Court decides that the conditions of the Act are constitutional and that they are administered or enforced within the wording and meaning of the law, then they stand as the law of the land, until repealed. The National Labor Relations Act has come before the Supreme Court for decisions many times since it was passed in 1935. These decisions have established the principles of industrial relations which exist under the Act.

⁵ For a description of the details of the Mohawk Valley Formula, see Carroll R. Daugherty, *Labor Problems in American Industry*, Boston, Houghton-Mifflin Co., 1938, p. 673; also Joseph Rosenfarb, *The National Labor Relations Policy*, New York, Harper & Bros., 1940, p. 85.

⁶ See Annual Reports of the National Labor Relations Board for statement of these principles.

The opinion given in the *Jones and Laughlin Steel Corporation v. N.L.R.B.* case⁷ established the constitutionality of the National Labor Relations Act. It found that the Act does apply to companies in interstate and in foreign commerce, and is a regulation of labor relations. It also declared that production employees who are not themselves engaged in interstate commerce should be covered by the Act because industrial strife among the company's production employees would seriously affect interstate commerce.

In the case of the *Associated Press v. N.L.R.B.*,⁸ the constitutionality of the Act was reaffirmed. The Court established that the Associated Press was engaged in interstate commerce and that the Act does not curtail freedom of the press.

The coverage of the National Labor Relations Act was further delineated by the Supreme Court decision in the case of the *Consolidated Edison Company v. N.L.R.B.*⁹ It stated that the National Labor Relations Board has jurisdiction over a company whose interstate business is only a very small percentage of its total business. In this case the company protested the fairness of the proceedings, and the Court found that the Board's refusal to hear witnesses was arbitrary, but there was no lack of due process since the company did not avail itself of the procedure available to petition the Court of Appeals to order a hearing of certain witnesses nor did it petition for a hearing on the trial examiner's finding.

The question involved in the case of the *Pacific Greyhound Lines, Inc.*¹⁰ was whether an order to withdraw all recognition of the union is justified when the Board has ordered an employer to cease certain unfair labor practices, including domination and financial support of a company union. The Supreme Court upheld the Board's further order in view of the evidence and in spite of the Circuit Court's action to set aside the Board's further order.

In the *Mackay Radio and Telegraph Company v. N.L.R.B.* case,¹¹ the company disputed the Board's right to order it to cease and desist discriminating against striking employees on account of union activity and also the Board's right to order the reinstatement of striking employees discharged for union activity, back pay, and the publication of notices that no discrimination will occur. Although the decree of the Circuit Court of Appeals denied the Board these rights, the Supreme Court decision found them to be within the Board's power.

⁷ Vol. 301, U. S. Reports, 1937, p. 1.

⁸ Vol. 301, U. S. Reports, 1939, p. 103.

⁹ Vol. 305, U. S. Reports, 1938, p. 197.

¹⁰ Vol. 303, U. S. Reports, 1938, p. 272.

¹¹ Vol. 304, U. S. Reports, 1938, p. 333.

The Supreme Court decided in the case of the National Licorice Company v. the N.L.R.B.,¹² that the Board has the authority to order an employer not to enforce contracts made with employees in violation of the National Labor Relations Act. It also found that a N.L.R.B. order relating to the contracts rather than the unfair labor practices found to affect the contracts may be made the basis for a complaint under the Act.

In the case of the N.L.R.B. v. Bradford Dyeing Association,¹³ the Court held that a change in the majority status of a union caused by unfair labor practices by the employer does not affect the validity of an order based on the original designations.

In the International Association of Machinists v. N.L.R.B. case,¹⁴ the Supreme Court upheld the Board's findings that a closed shop contract and the resulting discharge of employees were illegal because the contracting union had been assisted by the employer's unfair labor practices. Anti-union activities of employees in minor supervisory positions are the responsibility of the employer even though these activities were not authorized by the employer.

Again the Supreme Court upheld the Board's decision in the case of the H. J. Heinz Company v. N.L.R.B.¹⁵ The Court confirmed the Board's decision that an employer's refusal to enter into a written agreement with the union constituted a refusal to bargain collectively.

The Court expressly upheld the Board's right to determine or designate the appropriate bargaining unit in the case of the Pittsburgh Plate Glass Company v. the N.L.R.B.¹⁶ In this instance the Court supported the Board's contention that a division-wide unit was appropriate for collective bargaining even though the majority of employees in one plant did not want to be included in the wider unit.

The Court ruled in the Phelps-Dodge Corporation v. the N.L.R.B. case¹⁷ that an employer's refusal to hire a worker because of his union affiliation is an unfair labor practice. It also upheld the Board's order directing the employment of such persons and reimbursing them for wages lost. Also, the Court sustained the Board's power to direct the reinstatement of persons discriminatorily discharged, even when they had found employment elsewhere.

An employer must bargain with a union chosen by its employees even though it had previously entered into individual employment contracts as decided in the J. I. Case Co. case.¹⁸

¹² Vol. 309, U. S. Reports, 1939, p. 351.

¹³ 310 U. S. 318.

¹⁴ 311 U. S. 72.

¹⁵ 311 U. S. 514.

¹⁶ 313 U. S. 146.

¹⁷ 313 U. S. 177.

¹⁸ J. I. Case Co. v. N.L.R.B., No. 67.

These are some of the decisions of the Supreme Court which establish the principles of industrial relations and emphasize what companies and unions can and should do under the National Labor Relations Act.

Rights and Responsibilities Under the National Labor Relations Act

In section 7 of the National Labor Relations Act, certain rights are granted to employees: to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted activities for the purpose of collective bargaining and other mutual aid or protection. Although in a democracy, a person or group of persons has certain rights, they also must fulfill certain responsibilities to that democracy. Few, if any, statements with reference to responsibilities required of employees are found in the Act. From the standpoint of the rights of the employer, little, if any, reference is given to the rights specifically granted to the employer by the Act.¹⁹

From the standpoint of the responsibilities of the employer, you will find in section 8 a group of negative responsibilities in the form of unfair labor practices. In other words, it is an unfair labor practice if the employer interferes with, restrains, or coerces employees in the exercise of self-organization and collective bargaining; to dominate or interfere with a labor organization; to discriminate in employment or discharge because of union membership; or to refuse to bargain collectively. If we reverse these unfair labor practices from the negative to the positive, the employer has the responsibility of bargaining collectively and permitting his employees to organize without interference, coercion, domination, or discrimination. However, to repeat, what are his rights under the Act?

The National Labor Relations Act has performed an excellent industrial relations function for this country. It has placed collective bargaining and the right to self-organization and the selection of representatives on a more democratic basis.

Objections to the National Labor Relations Act

There have been objections by employers to the National Labor Relations Act and to the Board. Some of these are:

¹⁹ *The Fifth Annual Report of the National Labor Relations Board* mentions (p. 12) that employers have been given the opportunity to file petitions to determine representatives under section 9(c) of the Act in situations where they are confronted with rival demands from labor organizations claiming to represent a majority of employees in the unit or units thought to be appropriate.

1. That the Board is biased in favor of labor unions and against employers. (The A. F. of L. has accused the Board of bias in favor of the industrial form of union organization and the C.I.O. rather than craft organization and the A. F. of L.)
2. That there should be unfair labor practices for labor unions as well as for managements to prevent the unions from coercing or intimidating employees into union membership, to prevent radical and dictatorial leadership in the unions, to provide compulsory registration of unions, and to restrict unions from making financial contributions to political parties.
3. That unions should be responsible (and be able to answer adequately the questions given in Chapter 2 on the responsibility of a union).
4. That the National Labor Relations Board should be representative of the public, the employees, and the employers, in order to make it representative of all three parties to industrial relations, and therefore more democratic.

Much discussion of these objections to the National Labor Relations Act and its Board has centered around the question of bias on the part of the Board, especially the members who were appointed to the first National Labor Relations Board. Most employers believed that the Board was biased in favor of labor unions and against managements. Most employers believed that if they were called before the Board, they would be considered guilty until they were proved innocent, instead of the usual procedure of the courts to consider a defendant innocent until proved guilty.

Suggested Remedies for Objections.—In order to correct these complaints, managements would like provisions to be included in the National Labor Relations Act that would require:

1. That labor unions fulfill their full responsibilities of democratic self-organization and proper collective bargaining in good faith.
2. That employers be given certain rights under the Act for the guarantee of the complete fulfillment of labor contracts arrived at through collective bargaining in good faith.
3. That both employers and employees be assured the right of representation on the National Labor Relations Board and of having their problems and disputes considered by an unbiased Board, as exemplified by the National War Labor Board and its tripartite fact-finding panels.

These would tend to prevent many of the objections which employers have to unions, such as dictatorial leadership, radicalism, unresponsiveness, or that they are trying to usurp management's prerogatives.

If the employer had certain rights and could be assured that unions would always fulfill their labor contracts, it seems that there would be less hesitancy on his part to make such a contract and to have respect for and confidence in a democratic labor organization. It would give the employer more confidence in collective bargaining and the union a greater feeling of backing and strength which comes from the democracy of the group.

Finally, when both sides are represented, heard, and considered from those viewpoints, the psychological effect of the acceptance of the decision is often better. More lasting industrial relations would result because one of the fundamentals in personnel relations is to have all sides voiced and heard and considered in a democratic solution of personnel problems.

Wisconsin Employment Relations Act.—Have we any specific examples in this country of a definite attempt to set up the provisions suggested here? Perhaps the nearest approach to a presentation of both employer and employee responsibilities in labor relations is in the Wisconsin Employment Relations Act, enacted in 1939, which defines unfair labor practices for employees as follows:

(2) It shall be an unfair labor practice for an employe individually or in concert with others:

- (a) To coerce or intimidate an employe in the enjoyment of his legal rights, including those guaranteed in section 111.04, or to intimidate his family, picket his domicile, or injure the person or property of such employe or his family.
- (b) To coerce, intimidate or induce any employer to interfere with any of his employes in the enjoyment of their legal rights, including those guaranteed in section 111.04, or to engage in any practice with regard to his employes which would constitute an unfair labor practice if undertaken by him on his own initiative.
- (c) To violate the terms of a collective bargaining agreement (including an agreement to accept an arbitration award).
- (d) To refuse or fail to recognize or accept as conclusive of any issue in any controversy as to employment relations the final determination (after appeal, if any) of any tribunal having competent jurisdiction of the same or whose jurisdiction the employes or their representatives accepted.
- (e) To cooperate in engaging in, promoting or inducing picketing, boycotting or any other overt concomitant of a strike

unless a majority in a collective bargaining unit of the employes of an employer against whom such acts are primarily directed have voted by secret ballot to call a strike.

- (f) To hinder or prevent, by mass picketing, threats, intimidation, force or coercion of any kind the pursuit of any lawful work or employment, or to obstruct or interfere with entrance to or egress from any place of employment, or to obstruct or interfere with free and uninterrupted use of public roads, streets, highways, railways, airports, or other ways of travel or conveyance.
- (g) To engage in a secondary boycott; or to hinder or prevent, by threats, intimidation, force, coercion or sabotage, the obtaining, use or disposition of materials, equipment or services; or to combine or conspire to hinder or prevent by any means whatsoever, the obtaining, use or disposition of materials, equipment or services, provided, however, that nothing herein shall prevent sympathetic strikes in support of those in similar occupations working for other employers in the same craft.
- (h) To take unauthorized possession of property of the employer or to engage in any concerted effort to interfere with production except by leaving the premises in an orderly manner for the purposes of going on strike.
- (i) To fail to give the notice of intention to strike provided in section 111.11.
- (j) To commit any crime or misdemeanor in connection with any controversy as to employment relations.²⁰

²⁰ Wisconsin Employment Relations Board, Labor Laws, Wisconsin Statutes, Chapter 111, Employment Relations, pp. 7-10.

CHAPTER 19

MINIMUM WAGES AND MAXIMUM HOURS

The Fair Labor Standards Act

The tendency of a few employers to pay the least wages for the longest hours even to the detriment of the health and decency of their workers made it necessary for certain fair labor standards of employment to be set by law. The Fair Labor Standards Act of 1938,¹ commonly called the Wage and Hour Law, approved on June 25, 1938, established minimum wages and maximum hours for employers of about 21,000,000 workers in over 500,000 establishments.

During the first year of the Act, a 25-cent-per-hour minimum wage and a forty-four-hour work-week before overtime payments did not cause difficulty to managements except in a very few companies.² Of fifty companies investigated, only one company replied that even 1% of its employees were affected and had to be increased up to the 25-cent minimum wage. Nevertheless, in certain industries the standard wages and hours did affect the employees greatly and helped to prevent many "sweatshop" conditions. In the first five years of the Act \$55,000,000 in wages illegally withheld were restored to 1,500,000 workers in about 70,000 establishments.

The regulation of minimum wages and maximum hours by law has been in the past confined principally to the states with reference to conditions of employment for women and children and the regulating of hours for all employees. A regulation of hours was passed as early as 1847 in New Hampshire. In 1874 Massachusetts limited hours worked by women in manufacturing to ten daily and sixty weekly. In 1838 that same state passed a law regulating the employment of children below a certain age and in 1912 set minimum wages for women and children.

The wage and hour laws received adverse decisions from the courts and were declared to be violations of the due-process clauses of the federal and state Constitutions, and regulatory effort was slowed consid-

¹ For complete text of the Fair Labor Standards Act of 1938, see Public No. 718, 75th Congress, Chapter 676, 3rd Session, S. 2475.

² A study made by the author of fifty companies one year after the approval of the Act.

erably until the Wage and Hour Law was passed in 1938. Congress reported certain detrimental labor conditions in the Fair Labor Standards Act of 1938 and declared the following policy with reference to them:

Sec. 2. (a) The Congress hereby finds that the existence, in industries engaged in commerce or in the production of goods for commerce, of labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers (1) causes commerce and the channels and instrumentalities of commerce to be used to spread and perpetuate such labor conditions among the workers of the several States; (2) burdens commerce and the free flow of goods in commerce; (3) constitutes an unfair method of competition in commerce; (4) leads to labor disputes burdening and obstructing commerce and the free flow of goods in commerce; and (5) interferes with the orderly and fair marketing of goods in commerce.

(b) It is hereby declared to be the policy of this Act, through the exercise by Congress of its power to regulate commerce among the several States, to correct and as rapidly as practicable to eliminate the conditions above referred to in such industries without substantially curtailing employment or earning power.

The conditions of the Wage and Hour Act have been explained by the Wage and Hour Division of the Department of Labor as follows:³

To carry out the policy, the law contains three main provisions:

- (1) A ceiling for hours—the 40-hour week.
- (2) A floor for wages—ultimately 40 cents an hour.
- (3) The abolition of oppressive child labor.

A Ceiling for Hours

The 40-hour week went into effect October 24, 1940. For the year previous to that the standard work-week had been 42 hours. During the first year of the Act, up to October 24, 1939, the standard work-week had been 44 hours.

To allow a flexibility essential to the proper functioning of business and industry, the law provides that employees can be worked longer than the standard work-week provided they are paid at least time and a half their regular rate of pay for all hours of overtime. That means that a worker whose regular rate of pay is 50 cents an hour would have to be paid 75 cents an hour for all hours worked over 40 in any one week.

³ U. S. Department of Labor, Wage and Hour Division, Children's Bureau, *The Wage and Hour Law—What It Is*, Washington, D. C., Government Printing Office. Also see: *Employers' Digest of the Fair Labor Standards Act of 1938*, Department of Labor Wage and Hour Division, Children's Bureau, Washington, D. C.

A Floor for Wages

Even more flexibility is contained in the minimum wage provisions of the law. The eventual floor of 40 cents an hour is reached over a period of 7 years. With certain exceptions, no worker engaged in interstate commerce or in any occupation necessary to the production of goods for interstate commerce could be paid less than:

30 cents an hour from October 24, 1939.

40 cents an hour after October 24, 1945.

25 cents an hour during the first year of the Act (up to October 24, 1939).

Administrators of the Wage and Hour Conditions.—The conditions are administered by an Administrator of the Wage and Hour Division, created by the Act, in the Department of Labor. The Administrator is appointed by the President, by and with the advice and consent of the Senate. The Administrator may, subject to Civil Service laws, appoint such employees as are necessary to carry out his functions and duties under the Act and set up regional offices throughout the country for this purpose.

The Administrator from time to time issues interpretative bulletins and regulations⁴ for carrying out the Act, such as rules governing industry committees (part 511), records (part 516), learners (part 522), coverage of the Act (Nos. 1 and 2), maximum hours and overtime compensation (No. 4). An example of such regulations is that defining an executive, administrative, and professional employee.⁵

The Act affects each individual worker, who can report any deviations from the Act by his employer directly to the Wage and Hour Regional Offices. A sample list of questions and answers on how the Wage and Hour Law affects a worker as explained to the worker has been prepared by the Wage and Hour Division.⁶

The worker can report his wage and hour problems directly to the Wage and Hour Division, but it is the responsibility of the employer to keep records. Although no definite form is required, they must be kept for four years, and the following information must be available:

- (a) Name in full.
- (b) Home address.

⁴ For full explanation, see the rules and interpretations of the Act; and *Selected Interpretations of the Fair Labor Standards Act*, Management Research Memorandum, No. 8, National Industrial Conference Board, New York.

⁵ *Regulations Defining and Delimiting the Terms, "Any Employee Employed in a Bona Fide Executive, Administrative, Professional, or Local Retailing Capacity, or in the Capacity of Outside Salesman"*, Pursuant to Section 13 (a) (1) of the Fair Labor Standards Act of 1938 (52 Stat. 1060), U. S. Department of Labor Wage and Hour Division, October, 1940.

⁶ *Workers, How the Wage-Hour Law Affects You*, U. S. Department of Labor, Wage and Hour Division, Washington, D. C., 1940.

- (c) Date of birth if under 19.
- (d) Hours worked *each work day* and *each work-week*.
- (e) Total wages paid each work-week.
- (f) Date of payment and, in addition to the above, when hours over the statutory maximum are worked by the employee.
- (g) Regular hourly rate of pay and basis upon which wages are paid.
- (h) Earnings at regular hourly rate of pay for each work-week.
- (i) Extra earnings for overtime.

Rules for computing the rates of pay and hours worked are illustrated in Figure 68.

Walsh-Healy Act

Related to the Wage and Hour Bill is the Walsh-Healy Public Contracts Act,⁷ which sets standards of minimum wages, maximum hours, child labor, convict labor, and safety and health for the performance of government contracts in excess of \$10,000.

The minimum wages required are those which have been determined by the Secretary of Labor for specific industries. Minimum wages determined by the Secretary for a given industry do not retroactively apply to bids invited or contracts awarded prior to the effective date specified in the determination. Contracts awarded on bids which were solicited prior to the effective date of a wage determination will at no time be subject to the payment of the minimum wages.

The basic hours of work are eight in any one day, or forty in any one week. Overtime is permitted provided that time and one-half is paid. The employment of boys under 16, girls under 18, and convict labor is prohibited.

Conditions of safety, sanitation, and health are required. Compliance with the standards of the state in which the work is done is *prima-facie* evidence of compliance with this requirement.

Hours of Work

The theoretical ideal of work in normal times could be the maximum wages for the minimum hours. Some labor unions contend that the shorter the hours, the greater the pay; while some managements contend that the minimum wages for the maximum hours, the greater the total production, the lower the price of the product, the greater the sale,

⁷ Division of Public Contracts, U. S. Department of Labor, Walsh-Healy Public Contracts Act, Rulings and Interpretations, No. 2, Washington, D. C., Government Printing Office, September 29, 1939.

EMPLOYERS MUST KEEP RECORDS

Records should be sufficiently clear and complete to protect employers from employee suits

SAMPLE PAY-ROLL FORM (NO PARTICULAR FORM IS REQUIRED)

NAME (In full)	SOCIAL SECURITY ACCOUNT NO.	HOURS WORKED							REGULAR RATE OF PAY (e)	EARNINGS					DEDUCTIONS			Total wages paid (e)
										At regular rate of pay for total hours worked (h)	Extra for overtime (f)	Total earnings (g)	Federal old-age insurance taxes	Other (itemized)				
		S	M	T	W	T	F	S							Total hours (d)			
1. George Henry Harper...	129-99-4231	(d)	(d)	(d)	(d)	(d)	(d)	(d)	(d)	62 cents per hour (60 cents per hour plus bonus).	\$29.76	\$2.48	\$32.24	\$0.32		\$31.92		
2. Martha Jane Wilson...	154-99-2176	(d)	(d)	(d)	(d)	(d)	(d)	(d)	(d)	50 cents per hour (\$20 per week of 40 hours).	22.50	1.25	23.75	.24		23.51		
3. Henry Miller Hawkins...	356-99-4578	(d)	(d)	(d)	(d)	(d)	(d)	(d)	(d)	46 cents per hour (\$80 per month or a week of 40 hours).	21.62	1.61	23.23	.23		23.00		
4. Neil Connor.....	369-99-7241	(d)	(d)	(d)	(d)	(d)	(d)	(d)	(d)	30 cents per hour (\$15 per week).	15.00	1.50	16.50	.17		16.33		
5. Janet Barber.....	270-99-1107	(d)	(d)	(d)	(d)	(d)	(d)	(d)	(d)	31 cents per hour (P.W., plus bonus).	14.26	.93	15.19	.15		15.04		

Figure 68. Rules for Computing Rates of Pay and Hours Worked

(For explanation of this form, see Wage and Hour Division, U. S. Department of Labor, *Employers' Digest of the Fair Labor Standards Act of 1938*, Washington, D. C.)

and the greater the amount of employment. However, a practical ideal is fair wages for a reasonable number of hours. The definition of "fair" and "reasonable" depends upon conditions. In a depression, what is fair and reasonable may be different from that in prosperous times or during a war.

When times are bad, employees are plentiful and the fullest production cannot be sold. In war, labor is scarce, but the maximum production is needed to win the war. In good times employees and high production are needed to meet the demand for and sales of the product. In general, the trend in the last fifty years has been to decrease the number of hours of work per week.

The hours worked per week from 1850 to 1943 were as follows:⁸

WORKING HOURS

1850.....	69	1934.....	35
1880.....	61	1940.....	38
1900.....	57	1941.....	40
1910.....	54	1942 ⁹	42.9
1920.....	50	1943 ⁹	44.9
1930.....	45	1944.....	45.4

This shows a decline from sixty-nine hours per week in 1850 to thirty-five hours in 1934, during a depression. Then hours increased to forty per week in 1941 and 44.8 in 1943, during war times.

In general, hours of work are affected by:

1. Legislation—Wage and Hour Act, Walsh-Healy Act, regulations of government contracts, and in government offices and work.
2. War.
3. Business cycle—demand and supply of labor; the demand for production; consumption.
4. Type and nature of manufacturing process; work shifts; machinery.
5. Union agreements.
6. Health, fatigue, and safety of workers.
7. Desire for leisure, recreation, travel, education, political and community participation, family life, and cultural activities of workers.

First, laws such as the Wage and Hour Law, the Walsh-Healy Act, and others regulating the hours of work must be complied with.

⁸ Data up to and including 1941 from Dale Yoder, *Personnel Management and Industrial Relations*, New York, Prentice-Hall Inc., 1942, p. 293.

⁹ For 1942 and 1943 all manufacturing, from U. S. Bureau of Labor Statistics, *Monthly Labor Review*, April, 1944, p. 844. For 1944—*Monthly Labor Review*, August, 1944 (*Manufacturing*, May, 1944), p. 447.

During war when there was a scarcity of labor, the need was for all-out production, even to the extent of increasing the number of hours worked in industry. Much discussion has taken place as to the best number of hours per week to work in order to effect maximum war production.

Recommendation on Hours of Work for Maximum War Production.—A statement of policy,¹⁰ signed by representatives of the War and Navy Departments, Maritime Commission, Public Health Service, War Manpower Commission, War Production Board, Commerce Department, and Labor Department set four major standards:

1. For wartime production the eight-hour day and forty-eight-hour week approximate the best working schedule for sustained efficiency in most industrial operations.
2. One scheduled day of rest for the individual, approximately one in every seven, should be a universal and invariable rule.
3. A thirty-minute meal period is desirable.
4. Vacations are conducive to sustained production, and should be spread over the longest possible period.

This policy was recommended in the interest of speeding up war production by the observance of standards established by experience as being best for sustained maximum production. The statement of policy was issued as a guide to government establishments, to field representatives of procurement agencies, and to contractors working on war production.

It did not reduce the urgency for the round-the-clock day and seven-day week operation of plants and tools. Its primary aim was to increase war production by taking into consideration certain practices that had been found to increase human efficiency. Of these practices, perhaps the most important was the safeguarding of employees' health and efficiency against cumulative fatigue and lowered resistance to illness caused by excessive overtime work.

Also, by standardizing the number of work hours per week to some degree, it was hoped that labor pirating, which made for quick labor turnover and instability, might be stemmed. Since the Walsh-Healy Act provided for time and one-half for time worked over forty hours, large overtime offers were used to bribe skilled and unskilled workers from one job to another.

¹⁰ War Production Drive Memorandum No. 35, War Production Board, Washington, D. C., August 1, 1942.

Opinions of Employers on Length of Work-Week.—A study by the Industrial Relations Section of Princeton University¹¹ of the opinions of the managements of 140 companies employing a total of 2,000,000 workers, showed that they thought that about eight work hours per day and forty-eight work hours per week seem to produce the maximum efficiency in speed, quality, and economy of work.

Executives of 128 companies preferred the forty-eight-hour week for male production workers more than five times as much as any other particular work-week. Their preferences are given as follows:

Companies believing optimum length of work-week to be—	Number	Per Cent of Total
40 hours	12	9.4
44-45 hours	6	4.7
48 hours	69	53.9
48-50 hours	13	10.1
52-55 hours	13	10.1
56 hours	5	3.9
58 hours	2	1.6
60 hours	8	6.3
Total	128	100.0

The following was the consensus of the companies surveyed, and the sampling was representative enough to be valid in most industries:

1. Less than forty hours a week does not increase individual productivity.
2. More than sixty hours a week does decrease productivity, and increase absenteeism and accidents.
3. When work is light and working conditions are good, men are more likely to have higher productivity when working more than forty-eight hours weekly than when working fewer hours. This is especially true if a man can set his own pace.
4. A lower average number of working hours is better for women because of physical limitations and domestic arrangements.
5. The seven-day week is strongly opposed because of the detrimental effect on output and employee health.
6. Special attention should be given to attendance and safety when lengthening the work-week.
7. The need for longer hours should be explained to employees in terms of productivity.
8. The length of the emergency period should be considered in determining the most efficient schedule of work for individual employees.

¹¹ *Monthly Labor Review*, May, 1942.

9. The solution was to work longer hours to speed up production for a short time only and to train new workers during that period in order to maintain the production level.

During World War II, there was considerable discussion of "round-the-clock" full weekly working schedules which eliminated Saturday and Sunday overtime payments as such. In order to establish uniformity in this respect, President Roosevelt issued Executive Order 6240, which contained the following:

1. That the following principles and regulations shall apply for the duration of the war to the payment of premium and overtime wage compensation on all work relating to the prosecution of the war:

- A. No premium wage or extra compensation shall be paid to any employee in the United States, its territories or possessions, for work on Saturday or Sunday except where such work is performed by the employee on the sixth or seventh day worked in his regularly scheduled workweek and as hereinafter provided.

- (1) Where because of emergency conditions an employee is required to work for seven consecutive days in any regularly scheduled workweek a premium wage of double time compensation shall be paid for work on the seventh day.

- (2) Where required by the provisions of law or employment contracts, not more than time and one-half wage compensation shall be paid for work in excess of eight hours in any day or forty hours in any workweek or for work performed on the sixth day worked in any regularly scheduled workweek.

- B. No premium wage or extra compensation shall be paid for work on customary holidays except that time and one-half wage compensation shall be paid for work performed on any of the following holidays only:

New Year's Day
Fourth of July
Labor Day
Thanksgiving Day
Christmas Day

and either Memorial Day or one other such holiday of greater local importance.

The provisions of this order shall become effective October 1, 1942.

Though this order eliminated Saturday and Sunday overtime payments as such, it did bring up many problems with reference to the regularly scheduled work-week and the proper maintenance of shifts of work to obtain twenty-four hours, seven days per week of work, or as near to it as possible. However, it set a standard for overtime payments on the sixth and seventh days worked.

Shift Schedules.—Closely related to hours of work during World War II was the arrangement of shifts¹² in order to maintain twenty-four hours per day, seven days per week, caused by the need for full production and the necessity for continuous operation on jobs that could not be closed down until the operations, which may last for days, were completed, such as a steel furnace, glass furnace, etc.

The most frequent shift hours were 7:00–3:30, 3:30–12:00 for two shifts per day, and 7:00–3:00, 3:00–11:00, 11:00–7:00, and 8:00–4:00, 4:00–12:00, or 12:00–8:00 for three shifts.

Though there were definite times for each shift, each employee could not work continuously seven days each week, so five- and six-day schedules were arranged.

A five-days-per-week shift schedule with four crews and a six-day schedule using a swing shift to relieve the other shifts from their seventh day was given by the National Industrial Conference Board.¹³

Dr. N. Kleitman¹⁴ has investigated shift hours and recommends shifts which will provide a sleeping period for each crew as close as possible to the customary cycle with shifts running as follows:

Sunset shift. Working hours from noon to 8 P.M. Evening and early night free for leisure. Sleep from 1 or 2 A.M. to 9 or 10 A.M.

Night shift. Working hours from 8 P.M. to 4 A.M. Sleep from 5 A.M. to 1 P.M. Afternoon and early evening for leisure.

Dawn shift. Working hours from 4 A.M. to noon. Leisure in the afternoon. Sleep from about 7 P.M. to 3 A.M.

He believes that these shift times will be the best for the health, leisure, and efficiency of the employee.

The health of the worker has a bearing upon the length and the scheduling of the shift, and the determining of whether short shifts without rest periods, or long shifts with rest periods, are better. If the work is extremely difficult physically, it may not be possible to have long

¹² "Shift Operations Under Defense Conditions," Studies in Personnel Policy, No. 35, New York, National Industrial Conference Board, Inc., 1941.

¹³ *Ibid.*

¹⁴ W. Kaempfert, "Red, White, and Blue Shifts," *New York Times Magazine*, September 20, 1942, p. 14.

shifts. Likewise, if the working conditions are such that the job is dusty, hot, or damp and wet, these may affect the hours.

From the broad point of view in normal times, the best number of hours of work are those which will give the worker time for recreation, education, participation in community and cultural activities.

Short hours of work to permit the worker time to consume is a relatively new idea in the field of industrial relations. With the advance of machinery, invention, and science to do the work man previously did, it is not impossible to imagine that with further progress along this line, we could produce more and permit more time for recreation, education, and consumption of that which is produced. Also, vacations and holidays, as well as rest periods, have an influence in determining hours of work. The same considerations of hours of work do not necessarily apply in normal times as in wartime, prosperity, or depression, for the same necessity is not present. Generally, in this country the forty-hour week—eight hours per day for five days—is considered as the standard work-week without overtime during normal times.

Shorter Hours of Work.—An employee earning high wages, but working few hours, may not make as much during the year as a worker whose wage is not so high but who works more hours. In most plants, however, the more hours worked, the greater the total pay received. If wages were raised proportionately to the hours decreased, the same total pay would result. If an employee were working for 80 cents per hour for ten hours per day, his total pay would be the same as if he worked eight hours for \$1 per hour.

During a depression, when sales are slow and production is low, one of the first questions is whether to lay off some employees and keep some working full time or to keep all employees and reduce their number of hours. Both can accomplish the same result of producing a given amount. In the last depression spreading the work by decreasing the number of hours to keep all employees working was promoted as the better course of action. The Black Bill advocating a thirty-hour week was introduced in Congress. It gained some support, but not enough to pass it as a law.

The American Federation of Labor was a strong advocate of this thirty-hour week. In 1936 President William Green of the American Federation of Labor proposed¹⁵ the adoption of a thirty-hour work-week as a sound, economic method to alleviate the problems of unemployment, low incomes, and insecurity caused by the business depression.

¹⁵ William Green, *The Thirty Hour Week*, Washington, D. C., The American Federation of Labor, 1936.

Under his proposal, wages were to remain the same as they had been so that spreading the work would keep more persons employed.

The results expected by the A. F. of L., if the thirty-hour week were adopted, were as follows:

1. It would have brought wage earners without work into normal business organization.
2. It would have increased the total purchasing power by maintaining existing earnings and placing purchasing power in the hands of those who had been unemployed.
3. By releasing a tremendous volume of pent-up consumers' demand, it would have stimulated industrial production in business activity.
4. It would have provided security by giving work to the jobless and by maintaining the wages of those employed.
5. It would have released the flow of credit in private business from the normal consumer, who constitutes the ultimate source of credit.
6. It would have raised the standard of living for the American people through new and widespread demand for goods and services.

CHAPTER 20

SOCIAL SECURITY

The Social Security Act¹

Considerable discussion on democracy has placed special emphasis on the importance of the individual person, his freedom and equality of opportunity, and his development as an individual person, as being essentials of a democracy.

Until about twenty or thirty years ago, the accepted idea was that each man could and should take care of himself, that he could save money for his old age, and that he could save money to tide him over periods of unemployment. In other words, the emphasis was that each person could take care of his own misfortunes, whatever they might be—unemployment, old age, sickness, etc. However, after the stock market crashed in 1929 and during the ensuing depression, certain misfortunes came to people through no fault of their own. Checks came back from the bank not only marked “no funds,” but also, “no bank.” That certainly was a misfortune beyond the power of any one person to prevent.

The advent of the Social Security Act did not cause a complete reversal of public opinion on matters of old-age pensions, old-age insurance, unemployment insurance, etc. Rather there were a number of factors involved which gradually changed the traditional outlook and led to the Social Security Act.

Legislation providing for social security was first promised by the President in his message to the 74th Congress, June 8, 1934, in which he said in part:

Our task of reconstruction does not require the construction of new and strange values. It is rather finding a way to known, but to some degree forgotten, ideals and values. If means and details are in some instances new, the objectives are as permanent as human nature.

Among our objectives I place the security of the men, women, and children of the Nation first.

¹ For complete description of the Social Security Act, as amended, see *Compilation of the Social Security Laws*, Federal Security Agency, Social Security Board, Washington, D. C.

The security for individual and family concerns itself primarily with three factors: People want decent homes to live in; they want to locate them where they can engage in productive work; and they want some safeguard against misfortunes which cannot be eliminated in this man-made world of ours.

Soon after this address, the President created by Executive Order the Committee on Economic Security, composed of Secretary of Labor Perkins, as chairman, Secretary of Treasury Morgenthau, Attorney General Cummings, Secretary of Agriculture Wallace, and Federal Emergency Relief Administrator Hopkins, instructing it to make a study of the entire problem and to make recommendations to Congress. For six months the Committee studied the problem, assisted by fourteen advisory groups and a large staff of specialists representing various interests involved.

At the end of this period the Committee unanimously reported to the President a bill for social security, which he submitted to the 74th Congress in a special message on January 17, 1935. After a great deal of bickering over amendments between the two houses, which was finally ironed out by the Committee on Conferences, the bill was passed by large majorities in both houses, and was approved by the President on August 14, 1935.

During its first four years, great advances were made. But these years of actual operation also indicated how the Act could be improved. On the basis of this experience and of continuing study, the Congress passed amendments which became law on August 10, 1939. This action strengthened the entire social security program and extended its protection to more people throughout the country. The new program went into effect January 1, 1940.

The Social Security Act is made up of ten distinct but related programs which may be grouped under these headings:

1. Social insurance:

- (a) Employment security, including public employment service and unemployment insurance.
- (b) Old-age and survivors' insurance.

2. Public assistance to the needy:

- (c) Old-age assistance.
- (d) Aid to the needy blind.
- (e) Aid to dependent children.

3. Health and welfare services:

- (f) Child-welfare services.
- (g) Services for crippled children.

- (h) Maternal and child-health services.
- (i) Retraining for disabled workers.
- (j) Public health services.

Of these, the social insurance considerations are most important to the average wage earner.

There is an increasing percentage of aged people in the population. In 1940 the percentage of people over 65 years of age was 6.8. It is estimated that by 1980, 14.4% of our people will be 65 or more. The life expectancy was almost 60 years in 1942, having risen from 40 years in 1850 and from 50 years in 1900. Even before World War I, old persons were faced with increased difficulty in finding a place in the speed and efficiency of modern industrialism. Existing forms of relief—county poor farms, etc.—were recognized as being demoralizing and inadequate in many cases. Perhaps one of the greatest factors in changing the American attitude was the educational programs carried on by such groups as the American Association for Old Age Security and fraternal organizations.

By the end of 1934, 231,000 persons were on relief in the United States. The states started to pass mandatory pension laws, most of them having fairly liberal rules of eligibility—the age limit dropped from 70 to 65 in many cases, and the tendency was to allow the pensioners to own some property. The personal responsibility of the family was stressed in the American laws, i.e., children and other immediate relatives of aged persons had to be unable to support them before aid was given to them. The movement was handicapped by the fact that twenty states had no pension laws, while five had only poor optional laws. The depression had so hit the state governments that they thought that they could not afford to pay any benefits, or only benefits so low as to be of little value. The Congress acted by passing the Social Security Act.

Old-Age and Survivors' Insurance.²—Old-age and survivors' insurance provides monthly insurance benefits for workers and their families when the wage earner is old and stops work or if he dies. Wage earners and their employers share the cost by paying special taxes which go into a fund in the United States Treasury, out of which benefits are paid.

These taxes, similar to premiums paid on an insurance policy, represent a percentage of the worker's wage—until 1943,³ 1% paid by the worker and 1% paid by the employer. Employers deduct each worker's tax from his pay and turn it in quarterly, with an equal amount of their

² Summarized from *What Is Social Security? A Brief Explanation of the Social Security Act*, Federal Security Agency, Social Security Board.

³ This was also continued during World War II.

own, to the Bureau of Internal Revenue. At the same time they make a report showing the wages paid each employee.

The amount of the insurance benefits paid under this plan is based on the worker's own wages in jobs covered by the law—and is, therefore, related to the tax he has paid.

Every worker who has a social security account receives a social security account number card, issued by the Social Security Board. The number on that card, together with his name, identifies his account so that all his wages can be properly posted to his credit.

The monthly payments provided under the system are of two general kinds:

1. Retirement payments—

For the qualified worker himself after he reaches 65 and stops regular work;

His wife, if or when she is 65;

His children until they are 16, or 18 if still in school.

2. Survivors' payments when a qualified worker dies—

For his children until they reach 16, or 18 if still in school;

His widow while she has such children in her care;

His widow if or when she is 65;

His dependent parents at age 65, if he has left no widow or young child.

When the worker leaves no survivor entitled to monthly payments at the time of his death, lump-sum death payments are made. These may go to the widow, widower, child, grandchild, or parent, in the order named. If the worker is not survived by any such relative, the lump sum may be paid to other relatives or friends who paid the burial expenses.

To qualify for insurance benefits, the worker must have earned a certain amount of wages on jobs covered by the law—that is, in factories, shops, mines, mills, stores, offices, banks, building-and-loan associations, American ships, or other kinds of business or industry. In general, anyone would qualify who had earned \$50 or more a quarter year, in at least half the quarter years between January 1, 1937, when the system went into effect, and the quarter year in which he became 65 or died.⁴

The amount of benefit paid depends upon the worker's average monthly wage up to \$250 a month. The worker's benefit—called the "primary benefit"—is computed by taking 40% of the first \$50 of his average monthly pay, adding 10% of the rest up to \$250, and then add-

⁴ The requirement is somewhat more liberal in the case of a worker who dies leaving young children. For further information, see the Social Security Board leaflet, "Old-Age and Survivors Insurance for Workers and Their Families." (I.S.C. 35.)

ing 1% of this sum for each year in which he was paid \$200 or more on covered jobs. If this benefit amount comes to less than \$10, the primary benefit is always raised to \$10.

The benefits paid the worker's family are figured from his "primary benefit." A widow receives three-fourths of the primary benefit to which the worker would have been entitled. For all others—a wife, child, or a dependent parent—the monthly payment is equal to half the worker's primary benefit.

The total monthly benefits that may be paid on one worker's account may not be less than \$10 a month nor more than twice the primary benefit, or 80% of the worker's average wage, or \$85, whichever is the least.

For example: a retired wage earner is getting a primary benefit of \$30 a month. His wife, who is also 65, receives an additional \$15, making \$45 a month for the two as long as they both live. If the husband dies, his widow would receive \$22.50 (three-fourths of his primary benefit of \$30) for the rest of her life if she did not remarry, since she is already 65.

To file a claim for insurance payments, the worker or any other beneficiary should go or write to the nearest Social Security Board field office.

Claim papers are forwarded to Washington for examination by the Social Security Board. When the Board approves the claim, it is certified to the U. S. Treasury for payment, and checks are then mailed to the beneficiary.

A discussion of employment security follows later in this chapter.

Administration of the Social Security Act.—To perform the duties under the Social Security Act, as amended, a Board of three members is appointed by the President, and confirmed by the Senate, to serve under the direction and supervision of the Federal Security Administrator. The members of the Board devote full time to their duties under the Act and to studying and making recommendations as to the most effective methods of providing economic security through social insurance. They also propose legislation and policies concerning old-age pensions, unemployment compensation, and related subjects. In 1941 the Social Security Board's personnel consisted of 12,682 persons—8,066 departmental and 4,616 in the field—and the administrative expenditures amounted to over \$26,500,000.

The funds for security payments are obtained from taxes, which started with a level of 1% of the income of every person under the Act. The 1939 Amendment to the Act set the following for payroll deductions for social security: 1% for 1939, 1940, 1941, and 1942; 2% for 1943,

1944,⁵ and 1945; 2½% in 1946, 1947, and 1948; and 3% after December 31, 1948, of their total payrolls.

The funds collected for social security have been distributed to hundreds of thousands of persons. The number of individuals receiving payments under selected social insurance programs from January, 1939, to June, 1941, the amounts they received, and the place of social security and related payment in the income payment to individuals have been given by the Board⁶ in its *Sixth Annual Report*. A forward view of social security was given by the Committee on Long-Range Work and Relief Policies to the National Resources Planning Board.⁷

Company Pensions

The Need for Company Pensions.—The managements of many companies consider that the pension benefits under the Social Security Act are not sufficient to take care of their employees as adequately as they would like them to be. Therefore, they have founded additional benefits for the care of superannuated employees who have rendered long and faithful service and are not able to keep up the pace of earlier years. Also, younger employees who know that provision has been made for them for their old age should possess a state of mind which will enhance their efficiency, loyalties, and cooperation as well as generally reduce labor turnover.

Employees who have spent the best part of their lives at their jobs and have reached the point where their efficiency has dropped off, or where they cannot work further, have been of great concern to the management, and industrial pensions for the care of old employees gradually became the responsibility and duty of the company concerned before the Social Security Act was formed.

The subject of pensions is not a new one, as it has been considered for more than fifty years. A few companies had informal pension plans before 1900. In that year the Pennsylvania Railroad established its formal system. The International Harvester Company was one of the pioneers, and the New York Central Railroad began such a system in 1910. The Industrial Relations Counselors⁸ found 515 pension plans to be operating at the end of 1938.

⁵ Temporarily left at 1% during the war.

⁶ *Sixth Annual Report of the Social Security Board*, Federal Security Agency, June 30, 1941, Washington, D. C., Government Printing Office, p. 21, etc. Also see other annual reports of the Board.

⁷ *Security, Work, and Relief Policies*, Washington, D. C., Government Printing Office, 1943.

⁸ M. W. Latimer and K. Tufel, *Trends in Industrial Pension*, New York, Industrial Relations Counselors, 1940. Also M. W. Latimer, *Industrial Pension Systems in the United States and Canada*, New York, Industrial Relations Counselors, 1933, 2 vols.

Examples of two pension plans follow:

W. T. Grant Company's New Retirement Plan.—An employee pension plan, providing not only for retirement income for life beginning at the age of 60 but also for special benefits in the event of disability, death, or termination of service, went into effect July 1, 1942, in the W. T. Grant Company's 500 stores and offices throughout the country. Approximately 3,100 employees of the company, 70% of whom are women, are eligible for membership, being at least 30 years of age and having completed at least two years' continuous service with the company. Provisions of the plan include the following:

1. Benefits are free to employees earning up to \$1,500 per year. Employees earning more than this pay nothing for benefits based on their first \$500 of income and contribute a percentage of income over that amount. It is estimated that the company's contributions will cover about 75% of the total costs.
2. As the plan provides for retirement five years before federal old-age benefits become due, the employee may elect to receive a larger retirement income during the first five years of his retirement and a smaller one after social security payments begin.
3. A disability clause grants to any disabled member of ten years' credited service a retirement income for life, calculated in the same way as a normal retirement income. If the member has less than twenty years of credited service when disabled, the calculation is made as though he had completed the twenty years, although no disabled member will receive more credit than he would earn if he were to continue in service to the age of 60.
4. Credit will be given for service completed by members before July 1, 1942, the full costs to be borne by the company. Employees on military leave of absence may receive credit for prior service upon their return to the company.
5. Thousand-dollar termination and death benefits, in addition to return of the member's contributions with interest credits, are payable upon termination of service or death after 15 years' credited service.
6. The plan is administered by a special retirement board of not less than six people, two of whom are contributing members of the plan (but not officers of the company), elected by the

contributing membership. Assets are held in trust for the members by the Guaranty Trust Company of New York.

Shell Corporation Pension Plan.—The pension plan for 27,500 workers in the Shell Petroleum and Shell Pipeline corporations provides pensions without contributions from employees. If an employee receives a social security pension, the Shell pension is to be adjusted accordingly. The plan was made effective January 1, 1938.

Normal retirement ages have been defined as 55 years for women and 60 years for men, although retirement at these ages is not compulsory. The plan provides for a pension equal to 40% of the employees' average annual wages or salary during the five years immediately preceding retirement. No pension is to exceed \$6,000 a year. Employees who complete twenty or more years of service and reach normal retirement age are eligible to retire with "full pension." Workers who reach normal retirement age before completing twenty years but not less than fifteen years of service receive proportionate pensions. Shell may grant early pensions at its discretion for special reasons.

Shell's contribution of funds for the support of the plan is based upon actuarial valuations. Shell did not undertake to make good any investment losses to pension funds, but placed the funds in the hands of suitable third parties for administration.

Considerations in Establishing Pensions.—Pension plans usually adhere to the following formula: the product of the average annual wage of the last ten or other number of years' service, times a fixed percentage rate, multiplied by the total number of years' service equals the annual pension income. For example, John Smith, who is 71 years old (past the retiring age), has worked for his company thirty years. His average salary for the last ten years has been \$3,000, and his company's percentage is 2%. The equation in this case would be $.02 \times 3,000 \times 30 = \$1,800$ pension per year.

The considerations generally included in a pension plan (obtained from a review of many pension systems) are listed as follows:

1. A minimum period of service, generally from fifteen to thirty-five years.
2. A definite age limit for retirement, usually from 50 to 70.
3. A disregard, after a certain period of service, for the retirement age limit in case of disability.
4. A definite proportion between the number of years of service and the payment made after retirement, between 1% and 3% per year.

Modern pension plans endeavor to place the funds on a sound actuarial basis in the same manner as an insurance company figures annuities. A pension fund within the company itself can be worked out and managed according to modern insurance business practices. Another plan, which many consider the best, is to turn over the pension fund and its entire administration to an established experienced insurance company. As a result of this trend to put pensions on an actuarial basis, insurance companies have formulated arrangements for joint annuities to be purchased by employers and employees.

Many of the pension systems are regulated by bylaws, and are usually administered within the company by a pension board. Maximum and minimum pension figures are usually included in the pension fund bylaws. These limits are set in order to prevent too liberal use of the pension fund and still give the employee who receives the pension a livable income in old age.

Many companies set aside large sums to start their pension funds. The National Civic Federation of New York City found that 90% of fifty-five organizations who had adopted pension plans were operating on a pension fund entirely supported by the company. The New York Railway guaranteed \$50,000 a year toward its pension fund; the International Harvester Co. allowed \$100,000 a year; the Gorham Manufacturing Company of Providence reserved the equivalent of 1% of the payroll; the United States Steel Corporation set aside \$12,000,000 for pensions; and the Westinghouse Air Brake Company appropriated \$110,000 and pledged itself to increase that sum if necessary.

These various ways of funding pension costs have been summed up by E. S. Cowdrick⁹ in the following manner:

For the financing of pensions six principal methods are in use. Some companies simply pay retirement allowances as a part of current operating expense, making no provision for meeting future obligations. Others "fund" the pensions already granted by setting aside sums sufficient to pay them during the expected life of the pensioners. Sometimes a fund is set up, either when the pension plan is started or at some later period, from which the income is expected to be sufficient to pay pensions for an indefinite time. Some companies instead of setting up a large reserve all at once, turn into the pension fund a definite percentage of the active payroll each year, depending upon the amount thus accumulated, with interest, to carry the pension over the "peak" which is expected to be reached in the future. In other cases the company pays into the pension reserve each year a

⁹ *Pensions: A Problem of Management*, American Management Association Convention Series, No. 75, 1928.

sum actuarially computed to be sufficient to cover the pension liabilities accruing during that year on account of employees on the active payroll. The sixth method of financing pensions is through insurance, usually by some modification of the ordinary purchase of annuities.

Some provision should be made for the pension fund in case the company is sold or the management changed. A pension fund might be installed, under a certain administration, but if the company should change officers and directors, the new administration might discontinue it, and the employees would be at a loss. For example, when Morris and Company, meat packers, sold out to Armour, the pension fund of Morris and Company was reported to have been insolvent. Care should always be taken to make the pension fund absolutely safe and secure, even if it has to be deposited in a trust fund outside of the company.

In the establishment of a pension in a company, an amortization table should be made of all payments to be made to employees according to actuarial methods. They should be based upon the age of the employees, their actuarial data, the amount needed to pay pensions each year according to the amortization tables. For example, if an employee is 30 years of age and retires at 65, there should be accumulating in the pension fund enough during the next thirty-five years to meet the expected payments each year after the employee becomes 65 years old for the expected length of his life. This should be done for each and all employees in the company so that the total amounts needed can be approximately determined before the plan is started. This is one reason why it usually takes a large amount to establish a pension system.

The establishment of a pension plan also involves setting up a method of transfer and placing employees who have become older; also, in general, adapting workers to their jobs.

The foremost principle in starting a pension plan is that it be worked out on a sound actuarial basis. This may prevent more companies from starting pensions, but the lack of such a basis is the reason many of the early pension plans failed. During World War II interest in pensions for employees increased because of tax reductions due to pension payments.

Unemployment

From 1900 to 1926 an average of 10% of the working population was unemployed. In 1932 the employment index was as low as 46. During the depression when people lost their jobs through no fault of their own, it was recognized that a stigma in accepting public assistance should not be added to the sting of enforced idleness. It was not because of lack of initiative or ambition that many people were jobless. It was lack

of work for them to do. This enforced unemployment made it impossible for the individual person to prepare to meet the exigencies of old age and to provide even a modicum of security for himself and his family.

The prospect of losing their jobs and source of living is one of the greatest specters lurking in the back of the minds and emotions of many of the most efficient workers and managers, as well as in the forefront of the thinking and feeling of many of the inefficient or poorer workers and supervisors. High wages are important, but if the worker does not get them, the lack is of still greater importance. If the worker were relieved of the fear of insecurity, much greater efficiency and happiness should result. Some people do not agree, but believe to the contrary; i.e., if a worker is secure in his job and for his old age, he will not apply himself so much as he does when he must work hard and save for himself if he is to have the desired security. This latter belief might be true if the worker had the power within himself to keep his job. But he knows that he can lose his job *through no fault of his own*. Therefore, if he knew that he did not have to worry about that insecurity, he could think more about his work and, thereby, do it better and more willingly. He could try to produce as much as possible without the fear of being laid off when a particular piece of work was finished. The ghost of unemployment is haunting our industrial relations house as much as, if not more than, other problems. Unless a way to make greater job security is found, our democracy itself will be in danger.

Types of Unemployment.—Unemployment is that situation in which workers, able to work, are unsuccessfully seeking employment. It may be classified as follows:

1. Seasonal
2. Depressional or cyclic
3. Technological
4. Organizational

Seasonal unemployment occurs when workers are laid off during the slack periods of the year because of change in the demand for the product, the weather, style, or the seasonal nature of the product. There is greater use of coal in the winter; it is better weather for construction work in the summer; canning must be done when vegetables and fruit are ripe; purchasers of automobiles usually want new models. All these reflect on employment.

Major and minor depressions followed by periods of prosperity have occurred more frequently in recent decades than previously. They are

the "ups and downs" of the business cycle. One year, or period of years, business is good; another time it is poor. When business is poor, work is scarce and unemployment is prevalent. This is true not only about one company, but about many or most companies, causing millions of workers to be out of jobs because of this depressional or cyclic unemployment.

Technological unemployment is caused by the introduction of new machines or methods which make it unnecessary to employ as many workers as before. The dial telephone can ring the numbers desired automatically and requires fewer operators for the same amount of service; the textile machine has replaced the hand workers, etc. Methods of doing work may be improved by time-and-motion study so that the same work can be done by fewer persons than were previously required. Also, the advance of industry may make some jobs obsolete. The blacksmith of the past has been replaced by the modern welder; the wagonmaker by the auto mechanic, etc.

Unemployment can be caused by reorganizations of companies and industries. Mergers of one company with another may make it possible for one company to do the work of both companies and cause the unemployment of persons in the other company. Similarly, within a company, the merger of departments can throw the employees of one department out of work.

An example of this is a chemical company which bought another chemical company. It was found that the original company's research department was costing about twice as much as that in the new company without a corresponding amount of output of new products. This led to the belief that there were too many research workers in the first company, and seventy technical workers in the company were laid off. Another example is a company that merged with another and then combined the sales forces to sell the products of the joint companies.

Unemployment may also be caused by shifts in operation. One company in a small Indiana city shifted operation from an old plant to a new one in Pennsylvania because the cost of operation was greater in Indiana. The employees were either laid off or shifted to Pennsylvania.

Other organizational unemployment can be caused by the methods of payment of labor, such as payment by the hour or day, instead of by the month or the year. A change from wartime to peacetime production, mismanagement, strikes, and other misfortunes can cause unemployment. All of the types of unemployment are the specters of the most effective work. They involve not only the loss of the wages of the worker, the loss of production, use of machinery, and sales of the company, the loss of unemployment insurance by the state, but also the psychological loss of belief in the company and this democracy of ours.

Extent of Unemployment.—Even in normal times unemployment is extensive. Paul H. Douglas found the average unemployment to be approximately 10% from 1896 to 1926—approximately 6½% resulted from seasonal and chronic causes and 3½% to 4% from cyclic causes.¹⁰ He also found that this varied greatly according to the year. For example in 1900, 10% were unemployed; in 1905, 6.7%; in 1910, 7.2%; in 1915, 15.5%; in 1920, 7.2%; and in 1925, 8.9% were unemployed.¹¹

Unemployment decreased to 2%, according to the census of 1929. As the depression of 1929 continued, a census of unemployment was taken by mail in 1937, which showed eleven million unemployed. This unemployment challenged the country and our democracy. Then came the war and not only a period of employment, but also one of scarcity of labor. In peacetime, we shall again be faced with the problem of preventing or alleviating unemployment.

What can the government, employers, and employees do to prevent unemployment? First, the government has already provided means and standards for the states to provide unemployment compensation under the Social Security Act. In general, the government can relieve the unemployment problem by the following:

1. Unemployment insurance
2. Employment service
3. Public works
4. Government training programs
5. Relief

Unemployment Insurance ¹²

American Plan.—The American Association for Labor Legislation drew up the "American Plan" for unemployment insurance. Under this, employers were to be the sole contributors. Industry was to be classified into five groups with five mutual insurance pension funds set up for the workers in those five groups. Certain dangers and disadvantages seemed inherent in the plan, namely:

1. An inequality of benefits, since workers could benefit only from the funds of the industrial group in which they worked.
2. Control in the hands of the employers.

¹⁰ "Can Management Prevent Unemployment?" *American Labor Legislation Review*, September, 1930, p. 273.

¹¹ Paul H. Douglas and Aaron Director, *The Problem of Unemployment*, New York, The Macmillan Co., 1931, pp. 28-29.

¹² See Bryce M. Stewart, *Unemployment Benefits in the United States*, New York, Industrial Relations Counselors, 1930. Also other material published by this organization listed in the Selected References at back of this book.

3. Lack of aim at the stabilization of industry.
4. Employee contribution was thought to be desirable, to obtain employee cooperation and prevent malingering.

Other Unemployment Insurance Plans.—A bill was introduced in Ohio which set up a state-wide fund under public control with joint contributions. It was thought that this plan would equalize and insure benefits. H. C. Atkinson,¹³ Administrator of the Ohio Bureau of Unemployment Compensation, has since emphasized the difference in the insurance and relief aspects of unemployment compensation.

The Wisconsin system of separate reserves set up isolated plant reserves. This proved to be a popular method of unemployment insurance and was widely approved at first.

At this time the consensus was that state laws on unemployment insurance were better than federal law. But it was felt that federal standards would be desirable in the following instances:

1. For industries engaged in interstate commerce.
2. For federal grants-in-aid matching state funds.
3. To provide exemption from federal income tax for payments made by employers for unemployment insurance.

The proposed Wagner-Lewis Bill of 1934 was in the form of an offset tax. Those states which did not pass a mandatory unemployment insurance law would have to pay a 5% payroll tax to the federal government. Those states already having a 5% payroll tax for unemployment insurance would not have to pay the federal tax. Some of the more salient features of the bill were:

1. If a state had a mandatory unemployment insurance law, there would be no additional financial expenditure for employers, and the 5% payroll tax collected would be used within the state and would not go into the federal Treasury to be spent for undetermined purposes.
2. States without an unemployment insurance law would not have an unfair competitive advantage for their industries over the states which did have such a law.
3. The states could decide what type of insurance law to enact. The minimum requirements set by the federal government were moderate, the chief of which were that the law must be mandatory and administered through a system of public employment offices.

¹³ *Nation's Business*, November, 1942, p. 22.

This bill was also received in Congress with much favor, but lack of affirmative action by the President prevented the enactment of the Wagner-Lewis Bill. It did serve, however, as a background for the passage of the employment security part of the Social Security Act.

Unemployment Insurance Under the Social Security Act.—Unemployment insurance benefits were established under the Social Security Act to provide regular weekly payments for insured wage earners who are out of work. The Social Security Act in itself does not provide for the payment of unemployment benefits, but it does set up means and standards for the states to follow. The system is operated by the states with the federal government paying the cost of administration. The states' laws follow a general pattern, though many provisions differ considerably.¹⁴ In all states regular unemployment insurance benefits are paid out of a special state fund to unemployed workers who qualify under the state law.

The amount of the benefit payments in most states is about half the worker's regular full-time weekly pay, ranging from a minimum of \$5 up to about \$15 a week. For partial unemployment most states provide partial benefits. These payments may continue for a certain number of weeks, the maximum being sixteen weeks; provided, of course, the worker does not obtain a job in the meantime.

Money for unemployment insurance benefits is collected by the state from every employer covered by the state law, at an average rate of 2.7% of his payroll. The Social Security Act provides a federal tax on employers in occupations covered by the federal law to take care of the costs to the federal government for administering approved state laws. A sample of the provisions for unemployment compensation is shown by the Indiana Employment Security Act and the New York State Unemployment Compensation Law.

Indiana Employment Security Act.—Contributions for unemployment insurance under the Indiana Employment Security Act are based upon a merit rating of employers. Rates are applied in accordance with the employer's experience. If an employer has less unemployment in his company, he pays less to the employment security fund. There is a special reserve account for each employer against which are charged the benefits paid to eligible individuals. One-sixth of the contributions goes into a general pooled fund. Employers of eight or more people for twenty weeks in a year are covered by the Act and must contribute to

¹⁴ See "Significant Provisions of State Unemployment Compensation Laws, June 1, 1943," reported in *The Economic Almanac* for 1943-44 by the Conference Board, p. 83, etc.

the state unemployment compensation fund. To be eligible for benefits under this Act, an employee must have earned \$250 a year, or \$50 in each of three quarters. After a one-week waiting period, an applicant who is totally unemployed is entitled to a weekly benefit rate which is equal to one-twenty-fifth of his high quarter's wages. The maximum weekly payment may not exceed \$16 a week, and the minimum may not be less than \$5 a week. If the applicant for unemployment insurance is partially employed, his benefit rate is figured in the same manner as for a wholly unemployed individual, less the amount of the wages he is earning by doing part-time work. Benefits may continue for sixteen weeks in any one-year period, and the total amount of benefits may not exceed 16% of his total wages in five quarters.

New York State Unemployment Insurance.—The New York State legislation for unemployment compensation provides for a pooled fund into which all employers pay the same rate of 3% of the payroll. The New York law covers employers of four or more people in fifteen days. There is a two-week waiting period after which an applicant is entitled to receive one-twenty-third of his high quarter's wages as a weekly benefit rate, this amount not to exceed \$18 nor to be less than \$7 a week. Under the New York law there is no provision for benefits for those who are partially employed beyond the fact that wages not exceeding \$3 for seven consecutive days are disregarded.

Merit and Experience Rating.—Much discussion is held over experience ratings for companies, i.e., the company pays into the unemployment compensation fund according to its record or experience in preventing unemployment. The attempt to establish merit or experience rating as a basis for financing unemployment insurance has thus far been unsuccessful in the State of New York. Governor Lehman vetoed the Young-Wadsworth Bill in 1940, which proposed as a substitute for the uniform 3% payroll tax, a scale of rates ranging from .5% to 3%, according to the employment experience of the firm.

A group of employers in the resort hotel, needlework, building, and other seasonal trades have formed the Joint Conference Against Merit Rating for New York State Employers. Their main objection is that stable industries would have a reduced rate which would tend to deplete the unemployment insurance reserves which should be built up during good times. Therefore, in addition to the expense of the unemployment insurance being borne largely by seasonal businesses, there is also the problem of having a large enough financial reserve to meet postwar unemployment needs.

However, it would seem, to the author, that using both the pooled reserve and merit rating plans would be the best method of having employers contribute to the unemployment compensation fund. Each company would pay a minimum amount into the unemployment reserve pool, and then the experience of the company would decide upon the further amount above the minimum to be paid by that company. It is a combination of experience rating and a pooled reserve.

United States Employment Service

As another means of providing employment security the Wagner-Peyser Act (48 Stat. 113), passed in June, 1933, established the United States Employment Service (U.S.E.S.) in the Department of Labor under the Secretary of Labor. It authorized federal grants to the states to establish and maintain a system of public employment offices to help the worker get a job and keep a job. In 1939, the Service was transferred to the Social Security Board and consolidated with its unemployment compensation activities under the jurisdiction of the Federal Security Administrator, and later to the War Manpower Commission.

The Act is designated to "promote and develop a national system of employment offices for men, women, and juniors who are legally qualified to engage in gainful occupations, to maintain a veteran's service to be devoted to securing employment for veterans, to maintain a farm placement service, to maintain a public employment service for the District of Columbia. . . ."

The states share proportionately, in accordance with population, the amounts of the annual appropriations of the United States Employment Service. In order to receive the benefits of the Act, the state must submit reports giving detailed plans for carrying out the provisions of the Act within that state, and also reports concerning operations and expenditures directed by the head of the U.S.E.S. The Act also provides for a Federal Advisory Council, representing the public, the employer, and the employee, which formulates policies and discusses employment policies. The tripartite nature of this Council ensures impartiality, neutrality, and freedom from politics in the solution of unemployment problems.

There are about 1,500 offices in all the states. In some 3,000 other places where there are no offices, a representative of the state employment service comes at regular times to receive applications for jobs, to put employers in touch with suitable workers for job vacancies, and to give other services. Approximately 8,600,000 placements had been made by the United States Employment Service through October, 1942.

Shortly after the start of World War II, President Roosevelt requested that the U.S.E.S. be fully operated by the federal government, and the separate state-operated services were transferred to federal administration. In April, 1942, President Roosevelt created the War Manpower Commission which consolidated many of the Social Security Board's manpower placement and training functions. These included the U.S.E.S.—the agency of the government to accelerate employment in war time and alleviate unemployment in peace times.

Other Provisions for Relieving Unemployment

Other provisions for economic and social security by the government are public works, such as the Works Progress Administration, the Public Works Administration, and others to give those unemployed some gainful occupation. Also, government training services and relief agencies are available to the unemployed as well as the state and federal employment offices. However, these are principally means of alleviating rather than preventing unemployment. Much is left for the employer to do, and in general he can do much to prevent insecurity and unemployment through company pensions and the regularization of employment. The prevention of unemployment by the employer is a special contribution the United States has made to the problem of unemployment.¹⁵

Regularization of Employment

The regularization of employment by the management of a company means the planning and maintaining of a regular flow of work throughout the year or years, particularly in the companies or departments where unemployment problems present themselves.

The methods and procedures which industry can use in order to stabilize employment are:

1. Guaranteed wages and placing employees on a yearly wage basis.
2. Scheduling and spreading production.
3. Dismissal compensation and layoff reserve funds.
4. Improvement of distribution techniques.
5. The research and development of new products for slack periods and the diversification or standardization of the present product.
6. Budgeting labor—personnel techniques of transfer, training, etc.
7. Union practices.
8. Cooperation with community, state, and federal departments.

¹⁵ Herman Feldman, *Stabilizing Jobs and Wages*, Harper & Bros., New York, 1940.

Guaranteed Wages.—A number of companies are regularizing their employment by guaranteeing to each employee a certain percentage of his wages or so many weeks' work of pay each year. The Procter & Gamble Company, which has had a forty-eight-weeks-per-year guarantee of employment for many years, studied the problem of seasonal employment, and agreed that the fluctuation in the demand for their product was largely due to the distribution methods and the speculative purchases of the wholesalers. By selling directly to dealers, the irregular

REVISED

Guarantee of Regular Employment

1. The following provisions constitute the plan known as The Procter & Gamble Guarantee of Regular Employment and will apply at such factories of The Procter & Gamble Company, The Procter & Gamble Manufacturing Company and the Procter & Gamble Company of Canada, Ltd., as have been duly notified in writing of their inclusion in said plan by order of the Board of Directors of The Procter & Gamble Company.
2. This plan supersedes all former plans for guarantee of regular employment and will become effective April 15, 1941, and thereafter will be the only plan in effect, until terminated, modified, or withdrawn as hereinafter provided.
3. To the employees located at such factories as above stated whose pay is computed on an hourly rate, and who have had at least twenty-four (24) consecutive months of employment immediately preceding the application of this plan to their employment, the undersigned Company hereby guarantees regular employment for not less than forty-eight (48) weeks (or its time equivalent) in each calendar year less only time lost by reason of holiday closings, vacation with pay, disability due to sickness or injury, voluntary absence, or due to fires, floods, strikes, or other emergency whether like the foregoing or not, and subject to the following provisions:
 - a. Regular employment shall be understood to mean employment for not less than the hour week established from time to time by the Company as the standard hour week at each of its factories.
 - b. When an employee first comes under this guarantee after January 1 of any calendar year, the Company guarantees to him under the terms and provisions outlined herein that he shall not be unemployed in excess of four (4) weeks (or its time equivalent), plus time lost for reasons herein stated, during the remainder of the calendar year.
 - c. The Company reserves the right under the guarantee to transfer any employee to work other than that at which he is regularly employed, and to compensate him for the same in accordance with the wage rate which prevails for the work to which he has been transferred.
 - d. Upon authorization from the Board of Directors and without changing the established hour week, the hours of work for employees coming within the terms of this guarantee may be limited to 75% of the established hour week less time lost for reasons stated above, whenever in the opinion of the Board of Directors such action seems justified.
 - e. Any individual hired to replace an employee leaving for military service or training, or for other services made necessary by a national emergency, shall be considered a temporary employee and he shall be so informed at the time of his employment. The Company will not consider such an employee within this guarantee. If at a later date subsequent to his employment conditions should warrant it, within the sole discretion of the Company, he may be informed that he is then eligible for this guarantee in accordance with the terms of this plan.
 - f. The right to discharge any employee at any time is reserved to the Company employing such employee.
4. This guarantee of employment has been established because the Company believes it to be sound business practice and a desirable protection for its employees. It is the intent of the Company to maintain it, but the Company must and does reserve the unqualified right, to be exercised at its sole discretion, to withdraw this guarantee at any of its factories, or to terminate or to modify this guarantee at any time.

THE PROCTER & GAMBLE COMPANY

April 15, 1941

Figure 69. Guarantee of Employment to Procter & Gamble Employees

demand disappeared somewhat. The company now estimates the sales for the ensuing year and bases production upon these figures. The fluctuation in orders is taken care of by storage. The Procter & Gamble Company maintains the employment guarantee with its profit-sharing stockholder employees shown in Figure 69.

Under the General Motors plan to maintain wage payments at a year-round level, any employee having five years' employment who works less than twenty-four hours in a week or earns less than his standard weekly wage is entitled to receive from the company an advance which will bring his earnings up to 60% of his standard weekly wage. These advances must be returned by the employee when in future weeks he earns more than 60% of his standard weekly wage. For employees who have been with the company for less than five years, the advances which may be had are limited to seventy-two hours' pay and are of an amount that will bring the employees' earnings up to 40% of their standard weekly wage, should they have worked less than sixteen hours in a week.

This conservative plan was somewhat modified in 1940 as a result of one year's experience. Provision was made for automatic cancellation of any advance remaining unearned or unrepaid three years after the advance was made. Limitations were added to the plan to the effect that it would not be available to those over age 64 because they were close to retirement and that not more than 360 hours' pay shall be outstanding in advances to any one employee.

In July, 1935, the Nunn-Bush Shoe Company inaugurated a "fifty-two-pay-check-a-year" plan as a method of stabilizing the incomes of its employees. This plan was based on the company's experience over a period of ten years. It was found that the cost of labor constituted 20% of the cost of production. On the basis of this, a group salary fund of 20% of the next year's estimated production is established. This is divided into fifty-two equal pay checks for each employee. Differentials in pay exist according to the employees' ability. This plan tends to make the employees a group working for a share of the production.

The employer protects himself with certain safety features in the plan:

1. The plan does not guarantee any minimum wage. All it promises to pay is 20% of the cost of production for labor.
2. The plan is not available to all Nunn-Bush employees, but is limited to Class A employees. However, about 90% to 95% of the employees are in that classification.
3. Should there be a serious depression, the yearly incomes of the workers may be reestimated.

The management of the William Wrigley, Jr., Company asserted as early as 1934 its belief that a company should accept the responsibility of its employees' employment security in poor times as well as in good times. Accordingly, it established a plan of "employment assurance" which provides that an employee will receive a certain percentage of his base pay during layoff periods. The amount of this layoff pay is based upon the amount of the employee's base pay, and the duration of the layoff pay is determined by the employee's length of service with the company.

George A. Hormel & Company guarantees wages to all of its employees on a fifty-two week pay basis. The volume of production and the amount to be budgeted to each department are estimated as accurately as possible at the beginning of each fiscal year. Each employee's weekly pay is based upon the number of working hours, men, and wages that have been calculated as necessary for completing the proposed work. If work is slack, the unearned wages received by the employee are charged against some work he may have in the future over and above the quota established for his department. Should an employee produce more work than was scheduled for him, he receives a bonus. A joint earnings plan has also been established, under which the employees receive a portion of the profits along with the stockholders.

This plan of wage payment was elected by the Hormel employees and is incorporated in a labor agreement with a C.I.O. local union. The workers may cancel the plan at any time, but the management cannot discontinue it until the end of a fiscal year, and then only after it has given a thirty-day notice.

Should the production of a whole department decrease, an employee may not be discharged until he has been given a whole year's notice. Usually such workers are transferred and placed in the Extra Gang, doing temporary work in various departments.

Fifty-two weeks of work have been guaranteed to the employees of the Namm Department Store who have over five years of service. This guarantee is gradually reduced to forty weeks for employees having only one year of service.

Scheduling and Spreading Production.—In order to prevent layoffs, many companies schedule production so that the working force varies the least possible amount. The Eastman Kodak Company found that it could maintain a standard production throughout the year by producing for stock when sales were low. Figure 70¹⁰ shows how employment remained constant while sales varied throughout the year at the

¹⁰ See Conference Board, *Management Record*, February, 1939, p. 23.

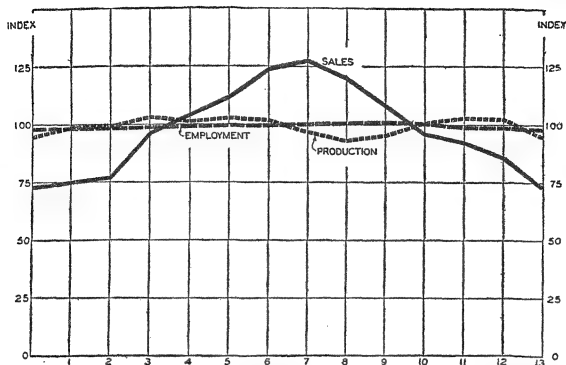


Figure 70. Chart of Sales, Production, and Employment Stabilization in Eastman Kodak Company. Actual data—based on three years: 1934, 1935, 1936. Average for year = 100.

(National Industrial Conference Board, *Management Record*, February, 1939, p. 23.)

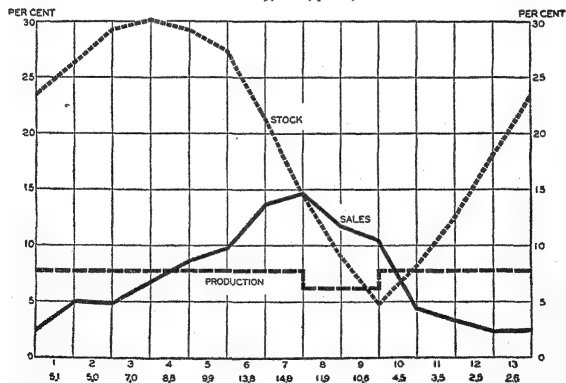


Figure 71. Stabilization of Production on Product B in Eastman Kodak Company

(M. B. Folsom, "Stabilization of Employment and Income," *Management Record*, New York, National Industrial Conference Board, February, 1939, p. 21.)

Kodak Park Plant. Figure 71¹⁷ shows the manufacture of one product, B, for which production was put in stock at periods of low sale so that uniform production could be maintained throughout the year.

When it is actually necessary to decrease employment, many companies spread production to provide as much work as possible for all of the employees, instead of laying off a portion of the working force. For example, if there is only enough employment for everybody on the payroll for four days, they will keep all of them on for those days instead of giving a full week's work to a few and laying off the rest.

In many companies the first step is to decrease the average week from forty-eight hours in six days to forty hours in five days, which gives the workers extra leisure time for recreation and enjoyment with their families and fellow workers off the job. One of the early proponents of the five-day week was Henry Ford, who announced its establishment in his factories in 1926; the labor unions, particularly the American Federation of Labor, and the Jewish organizations, whose Sabbath falls on Saturday, also favored this plan. In addition to regularizing employment, preventing unemployment, increasing the workers' efficiency and production, "decreasing overproduction," and generally putting industry on a sounder basis, President Green of the A. F. of L. contends that a thirty-hour week¹⁸ has even broader connotations; the resulting increased purchasing power would make for a higher standard of living as would the increased leisure time which would allow workers time for recreation and self-improvement.

The National Association of Manufacturers has shown strong opposition to the idea and issued a pocket manual with the following chief objections: increased cost of living, increased wages by more than 15%, decreased production, and the fact that it is industrially impractical.

Dismissal Compensation.—Dismissal compensation is another means of reducing the heavy burden upon an employee who is laid off or dismissed because of the improvement of machinery or methods or because of reduction of work. Hawkins¹⁹ has made a number of studies of dismissal compensation. In a study of a number of companies, he found that practice varied from standard dismissal procedure in some companies to small notice payments in others, with the average at \$148.54 per employee.

¹⁷ *Ibid.*, p. 21.

¹⁸ See W. F. Reuther's 30-Hour-Week Plan, mentioned in *New York Times*, March 17, 1944.

¹⁹ For an excellent description of dismissal compensation, see Everett Hawkins, *Dismissal Compensation*, Princeton, N. J., Princeton University Press, 1940.

A Conference Board²⁰ study showed that under graduated dismissal compensation plans (i.e., the amount of payment is based upon length of service) the average amount of dismissal compensation per discharged employee was \$476 in 1941.

Distribution Policies.—Feldman emphasizes that first place should be given to distribution policies in preventing unemployment in the company, because most of the other methods of steadying work are simplified when a degree of control is achieved over demand.²¹ The content of distribution studies is given by Feldman as follows:²²

Distribution Research

Carefully analyzing past records and present conditions in order to arrive at accurate estimates of the probable demand for the ensuing year.

Investigating the causes of seasonal peaks of demand.

Studying the possibilities of developing new uses for the products made, so that the purchase of these products may be stimulated during times of customary slack demand.

Seeking out new markets at home and abroad having different seasons, so that these outlets may allow for more regular production. Developing a long-time export policy with this end in view.

Attempting to forecast changes in business, by detailed studies of intraorganization statistics and those of outside economic conditions.

Planning against business depressions by discovering new outlets for goods, by developing new items capable of stimulating demand, or by other expedients.

Diagnosing noncyclical changes of long-time trend and adapting the business to the conditions.

Diversifying the Output

Adding side lines, fillers, and new products which may be manufactured at times different from the production periods of the main line, thus filling in the customary idle time of men, plant, and equipment.

Reducing Excessive Variations of the Same Product

Simplifying the regular lines of products by eliminating unnecessary variations and changes. (When a firm is producing an excessive number of variations of a product, all having the same seasonal

²⁰ "Dismissal Compensation," Studies in Personnel Policy, No. 50, New York, National Industrial Conference Board, Inc., 1943.

²¹ For an outstanding discussion on stabilizing employment, see, Herman Feldman, *Stabilizing Jobs and Wages*, New York, Harper & Bros., 1940.

²² *Ibid.*, pp. 22-23.

peak, manufacture is reduced to small lots. Production for stock becomes uneconomical and discontinuity of work more likely.)

Modifying the Extremes of Style Changes

Finding practical means of reducing the style hazard in the shoe industry, in clothing and other stylebound trades, thus making manufacture in advance of the period of peak demand possible.

Getting the Consumer to Buy More Regularly

Removing the obstacles which prevent the conscientious consumer from buying during times of normal slack demand.

Stimulating off-season demand by advertising, by price reductions, and intensified sales activity.

Enlisting the aid of consumer organizations.

Securing Orders Well in Advance of Need from the Dealers

Establishing relationships with the local dealers leading to their placing orders well in advance of the season, so that production may be begun earlier in the factory.

Developing special retail outlets, such as chain stores, stock ownership in firm by retailers, and other aids to stable distribution.

Developing Long-Range Policies of Business Expansion

Using a long-range plan of expansion as a basis for determining whether or not it is desirable for the firm to increase its plant, equipment, and personnel when a sudden rush of business occurs, so that extreme fluctuations between one year and the next may be avoided.

Coordinating Sales, Production, and Other Factors Through Scientific Sales Planning

Combining the various sales policies and production requirements into a master sales plan controlling all the operations of the business for the period of a year, and spreading out the work as equally over the months as the conditions allow.

Working out scientifically the means by which this master sales plan may be realized in practice, except for modifications forced by current developments.

Development of New Products.—Some companies have also carried on research and developed new products for slack periods. A specific example of coordination of winter and summer work is shown by the ice and coal companies. The addition of sidelines which permit high production of those products during slack periods for the regular products has been the difference between success and failure for many companies. This may involve not only diversification of the product, but also, in many cases, the standardization of the present product, where many

styles and models have been reduced to a minimum. Some companies in investigating their products found that they were losing more on 20% of their products than they were making on 40% of their other regular products. It depends upon the company and its products and the ramifications of its sales as to whether diversification or standardization is the more important.

Budgeting Labor.—Budgeting labor as far in advance as possible by a centralized personnel department, in conjunction with transferring employees from one department to another, and the training of employees for more than one job have also aided in alleviating unemployment. The Ford Company has emphasized part-time farming in slack periods of employment.

The personnel department of a company has a large responsibility in regard to the regularization of employment. When work is slack in one branch of the company, it may fall upon the personnel department to transfer employees into departments which need or can use them, or to help the laid-off workers in obtaining employment in another company if such is not available in their own concern. The employment process in this case is reversed: the employment department acts as an agency for placing men in other departments or companies instead of employing them. This has been particularly true during a depression when the personnel department has been called upon to develop a wise process of laying off employees, to develop such extra jobs as cleaning up the plant, and to provide the means for taking care of the faithful and worthy workers who have been laid off by the company.

In the laying-off process the employees whose seniority and performances are lowest are laid off first. If a depression reaches the stage where many of the excellent employees of long service are laid off, as was the case in 1930 through 1934, some companies provide them with subsistence until business conditions improve and employment is again offered by the company. This proves to be worth while and, in many cases, develops in those employees a lasting loyalty for the company.

Union Practices.—Organized labor unions also assist with employment by maintaining seniority rights of older employees, assisting with the employment of their members, training its apprentices, reduction of hours, the five-day week, and by maintaining unemployment insurance or relief funds.

Cooperation with Community, State, and Federal Departments.
—In many instances communities assist with unemployment problems by means of financial help to those in need, the development of odd jobs,

speeding up of public works, and the increasing of the usefulness of city and state employment agencies. They also try to ascertain the extent of employment, budget public works for slack periods, increase vocational education, and make comprehensive surveys of the social effect of unemployment.

The City of Cincinnati was an outstanding example of community aid in unemployment. City Manager Colonel C. O. Sherrill fostered the organization of a Citizens' Committee on Stabilizing Employment with subcommittees which handled special problems, such as relief, continuous employment, temporary employment, public works, cooperation of agencies, fact finding, publicity, and education. As a result, public works were put into execution, state and city employment agencies were "pepped up," and cooperation from industrial concerns was actively sought in laying off fewer men than they had planned on or in retaining all or nearly all on a part-time basis. Moreover, odd jobs in the city institutions were given to worthy men with families, the money coming from a special fund made up jointly by the committee and the community chest. The city's relief allowance, which would have been \$100,000 or more during that winter, was reduced to less than \$50,000.

All these methods of regularizing employment of a company²³ also point to a new humanism in industry, which has been long hoped for and which will greatly reward companies that give such consideration to their employees.

²³ Also see, especially, *Employment Regularization*, National Association of Manufacturers, New York City, 1940; *Reconversion and Re-employment Problems of American Corporations*, December, 1943; *Problems of the Transition to Peace*, 1943, and other bulletins prepared by the N.A.M. on postwar problems.

CHAPTER 21

GOVERNMENTAL AGENCIES COOPERATING IN PERSONNEL RELATIONS

Modern industry is geared to mass production where personal contact between employer and employee is limited. In many cases it is impossible for an employer to call by name or even know by sight the men who work for him, nor can an individual air his grievances to and get satisfaction from his chief executive.

Instead, the technique of collective bargaining has developed whereby employees can, as a group, have their difficulties brought to the attention of management. However, the machinery of collective bargaining could be corrupted by the tactics of some unscrupulous managers and labor leaders, whose interests may not concern the welfare of the worker. Although anti-union employers and revolutionary unions are rare, some few may be seeking more power by trying to tear down unions or to usurp some of management's prerogatives.

It is because of this "terrible tenth" of unprincipled employers and labor leaders that it has been necessary for the government to create agencies to cooperate with or regulate personnel relations. Many of these are coordinated in the Department of Labor. The Conciliation Service mediates labor-management disputes. The National Labor Relations Act guarantees labor's right to organize and bargain collectively. The Wage and Hour Bill delineates minimum wages and maximum hours, with a standard bonus for overtime work. The Walsh-Healy Act assures fair dealings on government contracts, and so on. As these agencies set standards to which both management and labor must conform, everyone who has anything to do with personnel relations should be familiar with them.

Department of Labor

On March 4, 1913, President Taft signed the bill creating the United States Department of Labor. Before that time, federal interest in labor affairs had been somewhat desultory and uncoordinated. Because workers were clamoring to have their conditions investigated, some of the states established labor bureaus. Massachusetts was the first to do this in

1869. Wisconsin was the first to establish an industrial commission (1911) to coordinate the governmental labor activities within the state.

Early governmental activities in the interests of labor had been incidental to other factors. They dealt with safety in the operation of railroads, welfare of American seamen and miners, workmen's compensation, and the regulation of the work of women and children. Organized labor was not satisfied with the haphazard labor laws and demanded a coordination of federal labor activities and a voice in the President's council. In 1913 labor was given a Department of Labor in the government and a Secretary in the President's Cabinet. This Department embraced several previous governmental functions having to do with labor. The purpose of this agency was declared to be "to foster, promote, and develop the welfare of the wage earners of the United States, and to advance their opportunities for profitable employment." The Secretary of Labor was given power "to act as mediator and to appoint commissioners of conciliation in labor disputes whenever in his judgment the interests of industrial peace may require it to be done."

The new Department was left to a great extent to find its own realm of endeavor and scope of operations with but an occasional guiding gesture by Congress. Some of the activities suggested were:

1. Maintenance of industrial peace.
2. Gathering of data useful to workers and legislators.
3. Promotion of safety work.
4. Reduction of unemployment.
5. Careful watch over work done for the government.

These objectives were kept in mind as the program of the Department developed.

The Department of Labor had been organized for just four years when the United States entered World War I. Coordination of industrial activity on a war basis and a definite national labor policy became essential. Several special agencies were set up to handle specific problems arising from the war. The Department of Labor evolved into a War Labor Administration, composed of thirteen separate bureaus and services and two functional boards. Some of these agencies were scarcely organized when they were disbanded at the end of the war. Because of these governmental wartime activities, the responsibility of the nation toward its producers became generally accepted.

The activities of the Department of Labor are handled by the Conciliation Service, the Bureau of Labor Statistics,¹ the Division of Labor

Standards,¹ the Wage and Hour Division, the Public Contracts Division,¹ the Women's Bureau,¹ and the Children's Bureau.¹

United States Conciliation Service

Since 1913 the primary function of the Conciliation Service of the United States Department of Labor has been to promote and maintain harmonious relations between management and labor.

The staff of the Service consists of more than 100 trained specialists in the field of mediation and conciliation. When information about strikes or lockouts or threatened difficulties comes to the attention of the Department, a commissioner of conciliation, or conciliator, is immediately sent to handle the situation. As conciliators are on call twenty-four hours a day, seven days a week, it is almost always possible for one of them to get to the scene of a dispute within twelve hours of receipt of notice.

The method of conciliation is of the round-table conference type. The conciliator attempts first to see each side separately, to get a statement of the issues from both sides, and to clear these issues of all matters that are not pertinent. He also strives to reduce and resolve personal irritations and to establish an atmosphere of reasonableness and good will so important to the satisfactory settlement of any controversy.

In 1940 there was a definite shift in emphasis in the work of the Conciliation Service from *remedial* conciliation to *preventive* conciliation. This was evident from a survey made of more than 1,200 agreements in the files of the Service, which disclosed that over 60% of these agreements contained voluntary provisions for arbitration of controversies during the lifetime of the agreement. Where no arbitrator is designated, agreements frequently provide that the Secretary of Labor or the Conciliation Service shall, upon request, designate an arbitrator. Of all the threatened strikes and lockouts which were originally brought to the attention of the Conciliation Service in 1940, less than 10 per cent subsequently developed into stoppages. This practical concept of *preventive* conciliation is a positive contribution to industrial peace.

At the beginning of 1942, John R. Steelman, head of the Conciliation Service, reported the following facts and figures: During the twenty-nine years of its existence, the Conciliation Service had brought its voluntary methods of conciliation and arbitration to more than 36,000 situations² involving more than twenty-eight million persons. During

¹ For description of activities of these agencies see *Labor Relations Reporter* 14 L.R.R. 549.

² John R. Steelman, "Give and Take in Bargaining on Wages," *Advanced Management*, New York, The Society for the Advancement of Management, January-March, 1942, Vol. VII, No. 1, p. 40.

1941, the Service disposed of 6,676 situations directly involving more than 4,625,000 workers. Of these situations, 4,725 were actual labor disputes, and over 90% were satisfactorily disposed of by the Conciliation Service. The others, numbering about 318, were referred to other agencies such as the National Defense Mediation Board, the National Labor Relations Board, and other federal and state agencies.

In all instances, the commissioners of conciliation who handled these cases were chosen for their knowledge and experience in the field of labor-management relations. They were stationed, in so far as was possible, in the important industrial and commercial centers. These commissioners worked on all types of cases: strikes, lockouts, threatened strikes, controversies, and sundry disputes. They came in on a case when requested by a representative of labor, management, or some public representative. When it was believed to be in the public interest, the Service offered its assistance without a request.

In 1940, 1941 and later, strikes resulted from labor unrest. Increased production for defense, the war, and to fill Lend-Lease requirements provided the great expansion of production. Also, union membership was expanding as a result of aggressive organizing campaigns by the C.I.O. and the A. F. of L., causing some jurisdictional disputes in a number of industries. Some employers also took advantage of the war situation. The industrial relations difficulties in such critical times made it necessary for the government to create an emergency board to handle the disputes between employers and unions in defense industries.

National Defense Mediation Board

The National Defense Mediation Board was created on March 19, 1941 by Executive Order. Of the eleven men on this board, three were members representing the public, four represented employees, and four represented employers. The Board acted in an industrial dispute after the case had been certified to it by the Secretary of Labor, after the Conciliation Service had not adjusted the situation, or when it seemed that a threatened strike could be averted when handled by the National Defense Mediation Board.

The Board was not a judicial body, but rather it aimed to assist labor and management to settle their difficulties amicably. The order authorized the Board:

1. To assist in the negotiation of agreements.
2. To afford a means of voluntary arbitration.
3. To assist in establishing means of settling future disputes.

4. To use all resources for fact-finding in any given dispute or controversy.
5. To call upon the National Labor Relations Board to determine the appropriate collective bargaining unit for workers.

Although the National Defense Mediation Board claimed to deal with each case on its own merit and not let precedent guide its decisions, on several issues it seemed to develop certain policies. For instance, on the closed-shop question, at first it seemed that the N.D.M.B. would not recommend an employer's granting a closed shop. Then on a split vote, they did recommend a closed shop in the Bethlehem case, which grew out of a strike of machinists in Pacific Coast shipyards. Although this was not supposed to set a precedent, the Board seemed to favor the maintenance-of-membership clause. The N.D.M.B. also recommended new contract clauses, providing for a definite term of contract and specifying the steps for continuing contractual relationship while in the process of negotiating. All of the general recommendations of the Board—wages, no-strike, no-lockout clauses, etc.—were primarily aimed at nonstoppage of work and at keeping production up.

The N.D.M.B. ceased to function effectively in November, 1941, when the C.I.O.'s representatives resigned in protest against the Board's refusal to grant the union shop demand of the mine workers' union in the "captive" coal mines owned by steel corporations. This decision was later reversed by a special presidential arbitration board.

National War Labor Board

After the United States entered World War II, the National Defense Mediation Board was absorbed and superseded by the National War Labor Board by Executive Order 9017 on January 12, 1942.

The National War Labor Board was set up as a wartime emergency administrative agency to make decisions in labor disputes which could not be settled by conciliation or voluntary arbitration. The wartime urgency for the highest possible production made it necessary to create some agency to settle labor disputes finally and thus maintain the maximum production.

The War Labor Board was created as the result of a joint labor-industry conference called by President Roosevelt in December, 1941, shortly after the attack on Pearl Harbor. Although this conference agreed on the techniques which might be adopted to settle labor controversies, they became deadlocked on the question as to whether or not the closed shop should be a subject for mediation or arbitration by any board which might be set up. Finally, the President broke the deadlock

by accepting the following three principles as an "agreement" of the joint conference: (1) there shall be no strikes or lockouts; (2) all labor disputes shall be settled peacefully; and (3) a War Labor Board shall be created to handle labor controversies. Increased authority, to cover all industries and all employees, was given to the Board on October 3, 1942, in Executive Order 9250, issued to carry out the Anti-Inflation Act of Congress of October 2. The President's "Hold the line" Order 9328 of April 8, 1943, and subsequent directives issued under that order by the then Director of Economic Stabilization altered the Board's wage powers to increases to correct for substandards of living, to the "Little Steel" formula, and for minor increases due to promotions, reclassifications, and the like. In May, 1943, the Director clarified this order, and the Board revised its wage policy.

The experience of the National Defense Mediation Board showed that it had been ineffective because it lacked the power to make final decisions in labor disputes. Therefore, the War Labor Board was set up as a "Supreme Court for Labor Disputes." The Board at first had no legislative authority and no powers of compulsory process or enforcement. For the enforcement of its decisions it depended upon patriotic cooperation, public opinion, the support of the Director of Economic Stabilization, and the support of the President which carried behind it the full enforcement power of the Army and Navy.

A dispute usually took the following course before reaching the War Labor Board: (1) negotiation between the parties according to collective bargaining procedures; (2) conciliation before the United States Conciliation Service; and/or (3) appearance before some other governmental agency (such as the Railway Labor Board, the National Labor Relations Board, etc.) where such was previously set up to handle disputes. The War Labor Board endeavored not to act in disputes for which other procedures for adjustment had been successful in arriving at a satisfactory settlement of that dispute. In the event that such agencies were not successful in settling the dispute, the case was certified to the War Labor Board by the Secretary of Labor. This certification was not absolutely necessary as the War Labor Board could take jurisdiction over a case on its own initiative.

The twelve-man Board, appointed by the President, had equal representation of the public, labor, and industry. The tripartite character of the Board was considered to be advantageous because the presence of labor and management members insured that the facts of both sides were presented. The major function of Board members and alternates was to decide disputes not settled by panels. A large number of the disputes which were certified to the Board was settled by these panels. In the first

year and a half of the National War Labor Board's existence, it disposed of 863 labor disputes involving 3,115,200 workers in addition to its rulings on voluntary wage and salary cases and arbitration cases.

Board decisions were by majority vote. Written opinions generally accompanied important decisions, but all decisions resulted in a Directive Order summarizing the basis of settlement ordered by the Board.

Although the Board itself did not mediate, it at first set up the following subordinate agencies for that purpose: tripartite panels, which were equally represented by public, labor, and industry; special investigators—either permanent investigators in the Board's employ or investigators chosen from prepared lists for particular cases; and a staff of "trouble-shooters," who were sent to plants where trouble was beginning and there was a definite undercurrent of labor unrest.

In addition to these, the War Labor Board had an administrative staff and liaison officers for contact with other governmental agencies.

To handle the added volume of cases under the Board's new wage and salary powers, given it by the Act of October 2, 1942, twelve regional offices were established. The cooperation of the Wage and Hour Division of the Department of Labor was also enlisted, through which applications for wage adjustments were made. Tripartite commissions were set up in a number of industries, such as shipbuilding, lumber, and trucking, with power to make certain final decisions subject to appeal or review by the Board. The Board set up rules of organization and procedure.³

Procedure Before the Board.—The procedure of the Board was informal and flexible. After the Board had taken cognizance of a case, either on its own initiative or after certification by the United States Department of Labor, the case was either submitted to mediation before a tripartite mediation panel or a mediator was sent to the scene of the dispute. If a settlement could not be reached by mediation, the parties to the dispute were invited to submit to voluntary arbitration. If this was refused, the case went before a panel and the Board for final determination.

The work of the tripartite panels started with their informing the parties to the dispute of the date of the hearing and instructing them to submit a preliminary written statement clarifying the issues and informing the panel members of the nature and history of the dispute. At the hearing, which was open only to those concerned, each party made a statement of his position. If no decision was reached on the basis of the

³ See National War Labor Board, *Rules of Organization and Procedure*, Washington, D. C., Division of Public Information, December, 1943. Also, *Monthly Report of the Board*.

statements made by the parties, voluntary arbitration was urged instead of sending the case to the full Board. If the case was not settled by arbitration, the panel had to make findings of fact and submit a recommendation to the Board. The fact-finding process was done in several ways: (1) the parties might have agreed on a statement of fact; (2) the parties might have been asked to submit data or information in writing; (3) the panel might have a hearing; or (4) the panel might have appointed an investigator, or even an examiner, to investigate the facts, hold a hearing, and submit a report back to the panel.

If the parties accepted the panel findings and recommendations, the case terminated at that point. The Board usually accepted the panel's recommendations and issued a Directive Order based upon them, if the panel members were unanimous. If they were not in accord, the Board could call a public hearing and issue a decision and order based upon the hearing and the panel findings and recommendations. In cases where the panel members were not in complete agreement as to the recommendations to be made, the dissenting members could submit their separate views with reasons and arguments substantiated by reference to data and evidence made a part of the record.

When no voluntary agreement could be reached in the panel meetings, the tripartite panel became a committee which formulated and recommended terms of settlement to the Board. Because of this, it should be stressed that the panel recommendations were very important, since if they were unanimous the Board usually gave them only a very casual review before passing them. Of course, in all cases the panel recommendations had to be compatible with the Board's policies.

Precedents Set by the Board.⁴—The decisions of the Board did set precedents, yet the patterns that were established were flexible, to be adapted to individual cases. It might be said that the Board's policies developed as an evolution of a series of decisions determined by a majority of the Board voting in specific cases.

The order which the Board gave in the "Little Steel" case on wages in July, 1942, established a formula for wage adjustments. This order said that general increases might be granted which did not exceed the wage level of January 1, 1941 by more than 15%. Fifteen per cent was recognized as the average increase in the cost of living between January, 1941, and June, 1942.⁵

Besides the "Little Steel" formula, the Board's wage policy included:

⁴ See National Labor Relations Board, *W.L.B.—What It Is—How It Operates*, Washington, D. C., Division of Public Information, December, 1943. Also, *Monthly Reports of the Board*.

⁵ See "Little Steel" decision formula on wages in Chapter 4 on Wages.

gross inequalities between plants might be corrected by "tested and going rates" for the job in the same labor market area; wage inequalities within plants could be corrected within the general level of wages; substandard wages might be corrected; in rare and unusual cases wages could be increased where critical war production could not otherwise be obtained; and other adjustments could be made such as shift bonuses, vacation pay, and premium pay for overtime.

As a compromise of the controversial closed or union shop and the open shop, the Board developed the maintenance of membership⁶ including a fifteen-day "escape clause" and nonintimidation or coercion into union membership.

In cases of union jurisdictional disputes, the public and industry members permitted the union members to try to arrive at an agreement. If the union members could not come to an agreement, the War Labor Board could participate when a union, established as a collective bargaining agency by the National Labor Relations Board, was challenged or in dispute with another union.

The Board encouraged and urged the prompt settlement of grievances, and in a number of cases directed that parties choose an arbitrator, impartial umpire, or chairman to determine grievances finally.

Equalities in wages between men and women, Negroes and Whites, for equal work were ordered by the Board. Emphasis was also placed on the maintenance of collective bargaining relations and sanctity of contract, by the Board.

Although the President confirmed and strengthened the policies of the War Labor Board from time to time, there was constant pressure for changing them. In June, 1943, the War Labor Disputes Act (Smith-Connally Anti-Strike Bill) was passed, reaffirming powers of the National War Labor Board. The purpose of the bill was to further war production and to prevent labor stoppages. It established the power of the President to take possession of plants whenever there was an interference of production vital to the war effort. It provided that terms of employment in government-operated plants should be the same as they were at the time of government seizure. However, application could be made to the National War Labor Board for changes in wages, hours, and working conditions. It outlined the functions and duties of the War Labor Board in the event of threatened interruptions of war production and provided for a secret ballot on the strike question after clearly outlining the issues being disputed. This bill strengthened the War Labor Board and its rulings during the coal mine disputes in 1943, when John

⁶ For description and discussions of maintenance of membership, see Chapters 2 and 3.

L. Lewis, president of the U. M. W., refused to recognize the Board's orders. Then, in late 1943, the President acted as arbitrator above the Board in railroad disputes and gave the steel worker retroactivity over the Board's decision.

However, the National War Labor Board had much effect upon the stabilization of wages,⁷ the settlement of wage cases, and keeping production going and increasing it during the war as well as a lasting effect upon personnel policies, such as the tripartite representation in the settlement of labor disputes, the maintenance of membership, the development of "tested and going" wage rates and brackets, the correction and elimination of wage inequalities within a plant, and other wage policies and data.

Economic Stabilization Policy

Because increased wartime production and labor shortage brought an upward spiral of prices and wages, Executive Order 9250 created the Office of Economic Stabilization in the Office for Emergency Management for the purpose of stabilizing living cost by wage and price control in an effort to control and prevent inflation. President Roosevelt appointed James F. Byrnes (formerly Associate Justice of the United States Supreme Court) as Director of Economic Stabilization with control over "civilian purchasing power, prices, rents, wages, salaries, profits, rationing, subsidies, and all related matters." The Economic Stabilization Board was established to consult with and advise the Economic Stabilization Director on matters of policy.

Jurisdiction for the determining of wage adjustments was placed with the following agencies:

1. *Secretary of Agriculture*—agricultural workers earning under \$2,400 a year.
2. *National War Labor Board*
 - (a) All wages, i.e., compensation computed on an hourly, daily, piecework, or other comparable basis.
 - (b) All salaries, i.e., compensation computed on a weekly, monthly, or annual basis, except executive, administrative, or professional employees not represented by labor unions.

⁷ Wage increases by the Board from October 3, 1942, to May, 1943, raised the average factory hourly wage rate only six-tenths of one cent. Between January 12, 1942, and September 30, 1943, the Board made final decisions in over 3,000 cases and in the year following October 3, 1942, final rulings were issued in 82,000 cases of wage and salary adjustments.

3. *Treasury Department*

- (a) All salaries over \$5,000 a year.
- (b) Salaries of executive, administrative, or professional employees not represented by labor unions.

Wage rates were fixed within the following limitations: there could be no wage rate increases above the level of September 15, 1942, nor could wages be decreased below the highest wage paid between January 1, 1942, and September 15, 1942, without the approval of the War Labor Board. The War Labor Board approved rate changes only when "necessary to correct maladjustments of inequalities, to eliminate substandards of living, to correct gross inequities, or to aid in the effective prosecution of the war." Adjustments which conformed to the terms of an established wage agreement or to established rate schedules were permitted without the approval of the Board for the following reasons:

- 1. Individual promotions or reclassifications.
- 2. Individual merit increases within established rate ranges.
- 3. Operation of an established plan of wage increases based upon length of service.
- 4. Increased productivity under piecework or incentive plans.
- 5. Operation of an apprentice or trainee system.

Automatic increases correlative with increases in the cost of living were eliminated. The "Little Steel" formula was still observed, but the Board's approval was necessary for a wage increase based upon the 15% increase in cost of living. Merit increases were not to be included in this 15% allowance.

The Board's approval was not necessary for overtime or incentive payments if such payments were customary before the economic stabilization order. Bonus systems in operation before Order 9250 was announced could be continued on the same basis as in the past, i.e., a fixed amount or percentages based on earnings, profits, etc.

War Manpower Commission

The depletion of the labor supply by the requirements of the armed forces and the need for labor for increased wartime production made some form of coordination of manpower necessary. The War Manpower Commission (W.M.C.) was created by Executive Order on April 18, 1942, for the purpose of assuring the most effective mobilization and maximum utilization of the nation's manpower in the prosecution of the war.

Some of the responsibilities delegated to the Commission by the Executive Order included: estimating the requirements of manpower for industry; compilation of labor market data, establishing policies and regulations pertaining to the recruitment, vocational training, and placement of workers to meet the needs of industry and agriculture; prescribing policies for filling the government's requirements for manpower; and formulating and recommending legislation in relation to the most effective mobilization and utilization of the manpower of the country.

The scope of the Manpower Commission extended to all manpower and womanpower in work essential and nonessential to the war effort. Manpower covered: labor market; labor supplies; labor training—including in-plant training, vocational schools, N.Y.A., C.C.C., college, and other defense training courses; recruiting and placement; and labor relations as they affected these subjects.

In addition, the W.M.C. issued directives asking the War Production Board to classify war plants and products in order of their urgency to the war effort. The Selective Service System was asked to secure the advice of local United States Employment Services offices before classifying individuals skilled in critical war occupations. The Farm Security Administration was asked to increase the number of mobile labor camps to make more workers available to agriculture to achieve the "Food for Victory" objective. In connection with this, the Office of Defense Transportation was asked to provide adequate transportation facilities for migrant agricultural workers.

Some of the broader problems with which the War Manpower Commission was faced was the elimination of labor pirating; utilization of local labor supply; training and employment of women, training and employment of Negroes, aliens, handicapped, and other minority groups; caring for the health and safety of workers; housing workers and their families; providing transportation to jobs; migration of workers; Selective Service and draft board policies and actions; and relationships between the United States Employment Service and local draft boards.

Although in certain war production centers there were very real labor shortages, artificial shortages were created which had to be eliminated. A number of companies were guilty of "labor hoarding," the placing of skilled workers on any kind of a job just to keep them in reserve and on the payroll. Some companies maintained unnecessarily rigid hiring qualifications and discriminated against hiring foreign born, Negroes, women, physically handicapped, etc. Inadequate housing and transportation facilities proved to be an obstacle in attracting workers to certain war-industry towns.

Some form of labor stabilization was necessary. In 1943 it was estimated that 53 million workers would be needed—20 million in war industries, 10 million on farms, and the rest for necessary civilian industries. Several plans of labor control were initiated in vital war-industry centers throughout the country. In Detroit it was made necessary for workers to obtain certificates of release from former employers in order to get a new job.

The War Manpower Commission set up two types of manpower control plans. The first type applied to jobs in various industries which are confined to a relatively small area. An early example of this is the Baltimore "labor stabilization agreement." This stipulated that an employee could not transfer from one job to another without the approval of his employer or the U.S.E.S. Another part of this plan was that the employers voluntarily agreed not to pirate labor.

These early voluntary plans led finally to employment through the United States Employment Services of the W.M.C.

The Executive Order of December 5, 1942, transferred the Selective Service System to the War Manpower Commission. Although the chairman of the W.M.C., was empowered to supervise, direct, and coordinate the activities of the Selective Service System, he could choose to delegate some of this authority and work through the Director of Selective Service. This authority extended to the determination of whether a man was best fitted for service in the Army, Navy, Marine Corps, or Coast Guard; or whether he could contribute more to the total war effort by industrial or agricultural work. All voluntary enlistments in the armed forces were eliminated and the draft was limited to men between 18 and 38 years of age.

Also, a Management-Labor Policy Committee was created by General Order 5. This committee was appointed by the Chairman of the W.M.C. for consultation on matters pertaining to labor, agriculture, and industrial management. Other powers given to the W.M.C. included the directives: that all hiring, rehiring, solicitation, and recruitment of workers should be handled by the U.S.E.S. in areas indicated by the chairman of the W.M.C.; that no employer could retain an employee needed more urgently elsewhere as determined by the W.M.C. chairman, that Army and Navy nonfederal training institutions should conform to W.M.C. policies, etc.

Early in January, 1943, the Chairman of the W.M.C. said that the armed services "almost certainly will claim every replaceable male employee of military age and fitness in every industry, regardless of its essentiality." Employers were urged to make up *replacement schedules* and *manning tables* which showed the essential workers and the length

of time required to train employees who could replace those who were drafted. The Selective Service Board deferred men usually for the length of time that it took to train a new man or woman to replace them.

The Training Within Industry Program⁸ had been established in August, 1940, by the National Defense Advisory Commission and continued under the Office of Production Management and then the War Production Board. When the W.M.C. was created in April, 1942, Training Within Industry was transferred to the War Manpower Commission. The purpose of T.W.I. was:

To assist war production industries to meet their manpower needs by training within industry each worker to make the fullest use of his best skill up to the maximum of his individual ability, thereby enabling production to keep pace with war demands.

Training Within Industry dealt exclusively with industry's own training responsibilities. It conducted specific intensive training programs for the development of potential, newly appointed and experienced supervisors and training directors. The programs required 10 hours for supervisors, and 48 hours for training directors.

Job Instruction Training gave the supervisor practice in how to "break in" men on new jobs. Job Methods Training showed the supervisor how to simplify and improve methods of doing a job. Job Relations Training gave the supervisor pointers and practices on how to work with people in a way that gains cooperation and promotes teamwork. Training of Training Directors gave intensified coaching in how to operate and improve complete, plant-wide training programs.

Other Governmental Personnel Activities

Ordnance Department.—The Labor Section of the Ordnance Department operated under the direction of the Undersecretary of War for all the Arms and Services of the War Department. Ordnance war production plants functioned through the Ordnance District office in which the plant was located. Should there have been any labor difficulties in an Ordnance plant the officer in charge of district labor matters informed the Labor Section of the Ordnance Department in Washington. Then difficulties were transmitted to the governmental agencies which were responsible for the functions of conciliation, mediation, and arbitration since it was War Department policy not to become a party to any dispute between employers and employees.

⁸ *Training Within Industry—Progress Report*, September, 1942, War Manpower Commission, Washington, D. C.

Navy Department.—Formal announcement was made by the Navy Department on August 8, 1942, of a definite policy to govern the Navy's relations with labor. During World War II, the Navy became one of the largest employers of labor in the United States, and Secretary of the Navy Knox pointed out that the only way to win the war was by the elimination of friction and controversy and by the devotion of all of the energies of the Nation against the enemy.

Under the new procedure, the Secretary of the Navy and the Commander in Chief of the United States Fleet held meetings every four months with representatives of labor from each of the navy yards and other naval shore establishments for discussions of methods of cooperation. All representatives of Navy management were directed to meet representatives of labor on a basis of open-mindedness, tolerance, and good will.

Classification of Personnel in the Army.—World War II presented one of the biggest personnel jobs ever attempted. In order to effect the best utilization of manpower in the army, proper classification and placement of recruits in work which best suited their talents, skills, and aptitudes were essential.⁹

A personnel procedure was set up whereby each new inductee was given mechanical aptitude and general classification tests. Tests were also used as a basis for determining nominations for Officers' Candidate Schools. After these tests were taken, the inductee was interviewed by a Chief Interviewer of the classification section, who, on the basis of the tests and the interviews, recorded his skills, talents, aptitudes, etc., on a Qualification Card. When requisitions came in for certain kinds of technicians, mechanics, radio operators, etc., the Qualification Cards were sorted by McBee Key-Sorters according to qualifications. After each inductee was given thirteen weeks of basic military training, he was then placed.

Public Personnel Administration.¹⁰—Though appointments for political leadership may be far greater than necessary, there is considerable good personnel administration in the governmental service in recruitment, examination, and placement. There could be improvement along the lines of classification, transfers, promotion, salary administration,

⁹ See W. V. Bingham's "How the Army Sorts Its Manpower," *Harpers*, September, 1942.

¹⁰ See F. W. Reeves and P. T. David, *Personnel Administration in the Federal Service*, Washington, D. C., Government Printing Office, 1937; W. E. Mosher and J. D. Kingsley, *Public Personnel Administration*, New York, Harper & Bros., 1936; and Lewis Meriam, *Personnel Administration in the Federal Government*, Washington, D. C., Brookings Institution, 1937.

training, labor relations, working conditions, morale, compensation benefits, and retirement in order to make public service a career.¹¹

Although equality of opportunity according to merit may not seem compatible with political patronage in governmental service, the former has been true to a certain extent for more than sixty years, especially since the Civil Service Act of 1883 was passed. This Act is basic to personnel administration in public service, as are the Retirement Act of 1920 and the Classification Act of 1923.

The Chief Executive has the major responsibility for determining personnel policies in the Executive branch by appointment powers and by jurisdiction over the branches of the government. The Bureau of the Budget has its own personnel administration and the approval of the procedure for handling Executive Orders and appointments, as coming within the budget provisions. The Civil Service Commission of three members, appointed by the President, provides the merit system of appointment to the federal government by examining applicants for the federal service based on merit. It also administers the federal retirement system and salary standardization and control in departmental service at Washington.

The work of the Commission is outlined by its principal divisions: Examining, Personnel Classification, Service Records, Retirement, Investigations, Correspondence, Accounts and Maintenance, Research, and Appeals and Review. The Commission has thirteen district offices and 4,500 local boards of examiners. The Commission holds examinations for from 1,600 to 2,500 different types of positions, and normally makes about 40,000 appointments (1935) from almost ten times that many applicants. Applications for and information about Civil Service appointments are available at designated post offices.

The Council of Personnel Administration was established in 1931 by Executive Order to improve personnel administration in the Federal service. Its functions, organization, and activities are explained in its Report of June 30, 1940, as follows:¹²

The Council of Personnel Administration exists to foster and extend good personnel practices throughout the service of the Federal Government. In its present form, it was created by section 7 of Executive Order No. 7916, of June 24, 1938, as amended by Executive Order No. 8667, of July 1, 1940. The need for it had long existed, as indicated by previous attempts to create such a body.

¹¹ F. W. Reeves and P. T. David, *op. cit.*

¹² *First Report of the Council of Personnel Administration*, reprinted from the 57th Annual Report of the United States Civil Service Commission for the fiscal year ended June 30, 1940, p. 1.

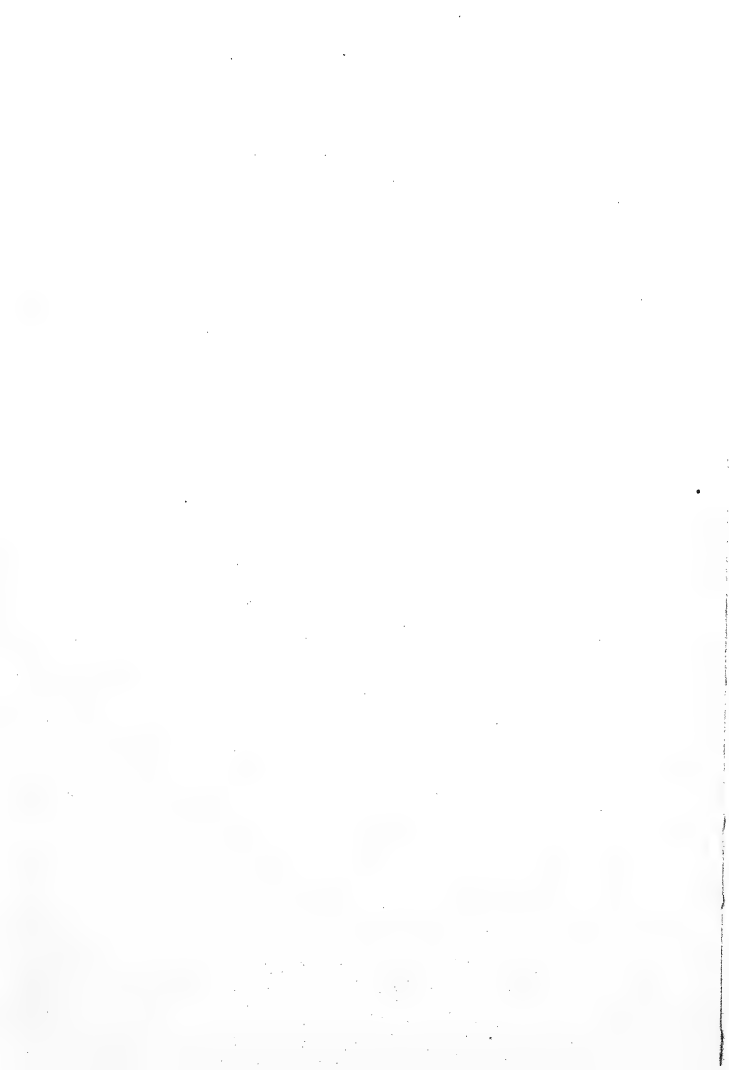
Simply stated, the Council is an interdepartmental committee to deal with Federal personnel matters. It is composed of the directors of personnel of the several departments and independent establishments, a representative of the Bureau of the Budget, and such representatives of the Civil Service Commission as the Commission may designate. Its counterpart is found in well-run business concerns which recognize the importance of coordinating personnel policies and practices.

The purpose of the Council is to advise and assist the President and the Commission in the protection and improvement of the merit system; to recommend to the President and the Commission needed changes in personnel regulation and procedure; and to serve generally as an instrument for raising the standards of personnel administration among the departments and agencies of the Federal Government. The Council is a fact-finding, advisory, and coordinating body which brings a common mind, a common purpose, and a common practice into the personnel side of departmental life. In so doing it lends intelligent aid in many collateral ways.

Other agencies dealing with personnel functions are:

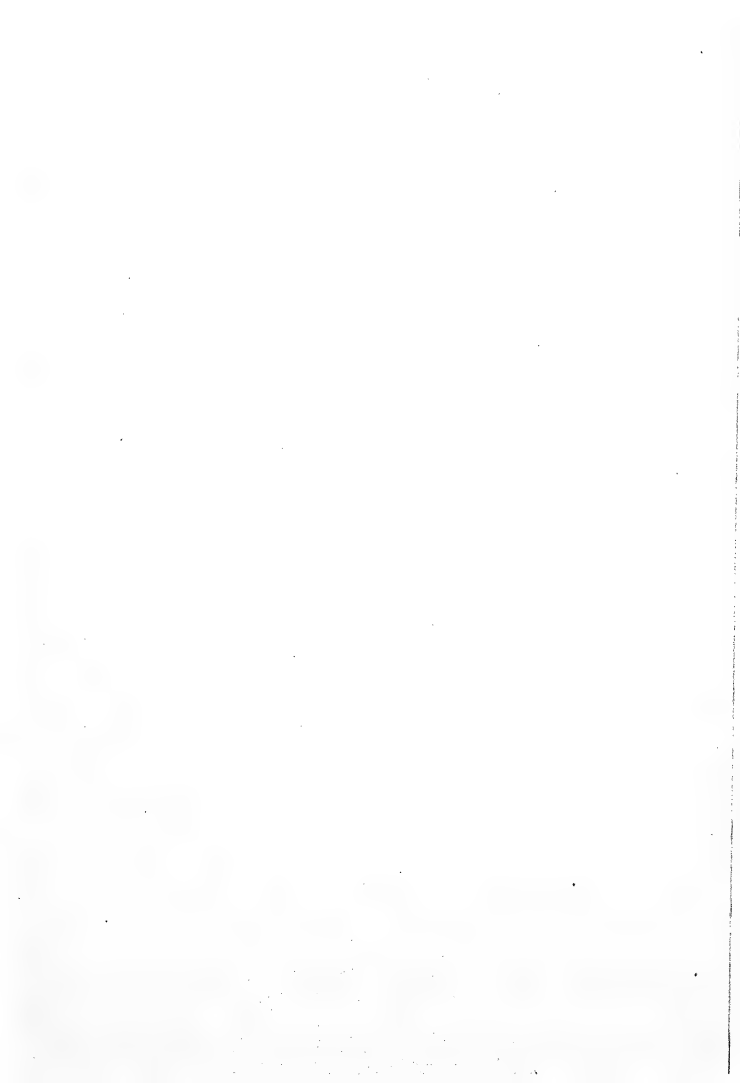
- Employees' Compensation Commission
- United States Public Health Service
- United States Employment Service
- Bureau of Labor Statistics

Besides central agencies of personnel administration, there are personnel departments and divisions in the various governmental departments, bureaus, independent establishments, emergency agencies, and governmental corporations, such as, for example, the Office of Personnel Administration in the Department of Agriculture.



PART V

UNION-MANAGEMENT-GOVERNMENT COOPERATION



CHAPTER 22

LABOR-MANAGEMENT COOPERATION

Personnel relations today are determined by labor, management, and the government.¹ The situation may be likened to a three-legged stool. This industrial stool is as strong as its weakest leg. Without one leg, the stool collapses. If one leg is longer or stronger, the stool may be thrown out of balance. Each leg is dependent upon the others for its proper functioning. Each must recognize and accept the functions of the others. Only as these three function together harmoniously in a spirit of hearty, humane cooperation, working to the utmost of their effectiveness, can industry make its fullest contribution during peace, as well as war.

Labor wants high wages and a better standard of living. Management wants higher salaries and greater profits. The government needs high taxes. All of these have other wants and demands which they think are justified.

The demands of *organized labor* are set forth by the Steel Workers' Organizing Committee in these terms:²

1. Labor wants management to discard its pretension of infallibility.
2. Labor wants management to grant it the opportunity to participate fully in the productive processes.
3. Labor wants management to recognize it as an equal in the productive processes.
4. Labor wants management to assume its share of social responsibilities.
5. Labor wants management to stop blaming its failures on labor, government, or anybody else.
6. Labor wants management to get on with the job of national defense by getting on with labor.
7. Labor wants management to accept bona fide labor unions and genuine collective bargaining procedures completely and in good faith.

¹ Though "Government" in a democracy is the people, many of those in Personnel Relations have come to look upon it as the regulatory, control, and policing bureaus, boards, etc., which enforce the laws concerned with these personnel relations. Government needs to be more of and by the people.

² Steel Workers' Organizing Committee, *Organized Labor and Management*, Publication No. 5, Pittsburgh, p. 6.

As a result of conferences with managers, management's wants or desires from labor seem to be:

1. Highest possible efficiency consistent with good health and individual and group development.
2. Adequate discipline.
3. Democratic handling of labor affairs:
 - (a) Voting on all important matters of the union by secret ballot, such as union contracts, strikes, elections.
 - (b) Discontinuance of dictatorial, Fascist, socialistic, and radical leadership and domination of the worker by the unions.
 - (c) Public accounting of union funds.
 - (d) Discontinuance of coercive methods of obtaining membership in the union; that is, membership in the union shall be entirely voluntary.
 - (e) Discontinuance of the management of union affairs by small minority of employees.
4. Maintenance of the prerogatives of management without derogatory loss of authority, control, delay, discipline, or loyalty to the company.

It is not likely that either management or labor will get its full wants or desires. The democratic way is usually a compromise arrived at by cooperation, mutual respect, and good faith. The government endeavors to provide a means for such cooperation.

Labor-Management Cooperation

War Production Drives during World War II.—The government wanted labor and management to cooperate to obtain the highest production to win the war and now to make a lasting peace. Means to accomplish this cooperation during World War II were established as the War Production Drive. The War Production Board's sponsorship of labor-management committees was officially announced by the President on February 27, 1942. The *Official Plan Book* of the War Production Board was issued shortly thereafter.³

Every plant producing for war and defense was asked to establish a joint committee of representatives of labor and management to launch

³ War Production Board, *Production Drive, Official Plan Book*, Washington, D. C., February 28, 1942. Also see the issues of *Labor-Management News*, official weekly publication of War Production Drive, War Production Board, Washington, D. C., 1943, etc.

a production drive to increase and accelerate production of war materials. Committees were organized to perform such duties as these:

1. Arrange for the erection of a production scoreboard to keep workers constantly aware of production progress.
2. Appoint necessary subcommittees.
3. Arrange for a study of plant efficiency, giving attention to the care of tools, prevention of breakdowns, cutting down on accidents, adequate lighting, proper maintenance and repair, adapting of old machines to new uses, cutting down on waste, eliminating production bottlenecks, using every machine to its fullest capacity.
4. Institute a "suggestion system." Good ideas to be tried out immediately, with full credit to the worker making the suggestion—the most practicable suggestions to be sent to Production Drive Headquarters in Washington.
5. Post (on bulletin boards) special communiques and other information on production drive contests, contest winners, letters from the War Production Board, etc.
6. Make production news available to employees by means of bulletin boards, information desks, notices in pay envelopes.
7. Conduct a slogan contest to stimulate interest in production.
8. Keep subcontractors and suppliers informed about the war production drive.

As examples of what was done earlier by these committees: one New York committee reported that tank production was increased 14% at first and under a later plan had been boosted 30% more; the output in a Pennsylvania plant turning out pressed steel had risen 10% following the creation of the labor-management committee. Better results followed in many companies as were described in the *Labor-Management News* of the War Production Board. Some companies maintained that the results were psychological, while others stated that the drive was ineffective in stepping up production and was more nominal than actual. However, in addition to improving production, probably the greatest contribution of the Labor-Management Committees was better personnel relations between labor and management.

A survey in October, 1942, by *Factory Management and Maintenance* revealed that 79% believed the committees helped improve employee relations, and 93% of the companies with these committees found no evidence that labor tried to use the committees to usurp the prerogatives of management.

The War Production Drive helped to set precedents for better industrial relations after the war. From the first, the leadership of labor was willing to cooperate with management in the interest of greater output on a plant basis, on an industry-wide basis, and on a national basis. This program endeavored to utilize the capacity of labor and management to work together in the achievement of a great purpose. The extent of these labor-management committees is shown by the fact that in May, 1944, more than 4,500 plant labor-management committees, representing more than 6,000,000 employees, had been established.⁴

Immediately following receipt of the official request from the War Production Board, the management of one company called a meeting of its principal officials. As a result of the discussion, the president wrote a letter to all vice presidents in charge of divisions, indicating that the company "stood squarely behind the President of the United States, the chairman of the War Production Board, and every soldier, sailor, and marine in the armed forces in the drive to produce the tanks, planes, ammunition, guns, and ships necessary for victory."

To carry out the company's part in the program, each divisional vice president was instructed to set up a committee of his division composed of three representatives each of management and labor (the latter to be appointed by the collective bargaining agency). These committees were to suggest and recommend ways to increase war production.

One committee functioned effectively in settling a matter of bonus standards. At the first meeting of this committee, members of the United Automobile Workers' Union (A. F. of L.) raised the question whether management would guarantee to maintain the established bonus standards. They said that production undoubtedly could be increased if bonus standards were *not* reduced as soon as the employees made an above-normal effort. Management took the matter under consideration and subsequently issued a statement to the effect that there would be no revision of the established bonus standards for increased output resulting from increased individual effort stimulated by the desire to help win the war. Production did increase.

At another division of the company the management has had the cooperation of the United Automobile Workers' Union (C.I.O.) that announced that it would not back any employee who failed to cooperate with the war effort and to perform his job to the best of his ability.

These examples of cooperation by different unions—the A.F. of L., the C.I.O.—show that labor and management can cooperate when they have the will to do so. Similar reports of effective labor-management

⁴ *Labor-Management News*, War Production Board, Washington, D. C., May 27, 1944, p. 1.

cooperation could be made for companies throughout the nation. Some committees contributed valuable suggestions. Even when there was no outstanding accomplishment in the way of increased production, these committees provided an opportunity for management to get information to the men in the shops bearing upon production conditions, reasons for shortages of materials, etc. From the standpoint of morale alone, the work of the labor-management committees was worth while.

Development of Labor-Management Cooperation.—This attempt to accelerate production by means of labor-management committees may seem to some to be a new procedure; however, the literature on labor-management cooperation reveals that it has been developing over a period of years.

Labor-management cooperation, as thought of today, started during World War I when O. S. Beyer, Jr., developed a plan of union-management cooperation among the workers at the government's Rock Island Arsenal. The success of this experimental undertaking led Mr. Beyer to suggest such union-management cooperation to the railroads, and the result was the adoption of the so-called "Cooperative Plan" which went into effect March, 1924, and is still in effect on the Baltimore and Ohio Railroad. By June 3, 1942, under the B. and O. plan, 11,783 meetings had been held, 32,297 suggestions received, and 27,851 (86%) of them had been adopted.

Another example of union-management cooperation prior to World War II is the Naumkeag Steam Cotton Company of Salem, Massachusetts, manufacturers of sheets and pillow cases. In 1927 the company and the union signed a formal agreement on union-management cooperation. In the latter part of 1928 new schedules of labor and wages were prepared with which the union took issue. As a result of this disagreement, an industrial engineer was employed to look into the facts of the situation. He reported to the union that a reduction in costs was needed and that labor could safeguard itself if the union employed an expert to check the job assignments proposed by management, to supply technical material for use in bargaining for new job assignments and piece rates, and to induce management to join with the union in sponsoring research on job assignments. The industrial engineer carried on the research in connection with job assignments, answering questions about displacements, demotions, and "stretch-outs." Much was accomplished. Then, in the fall of 1931, the company was operating on a four-day week. As the depression continued, competing mills cut wages. In November of that year the management proposed a 10% wage cut and indicated that joint research would cause some employees to lose their

jobs. The union leaders accepted the 10% cut, reversed themselves on the question of joint research, and proposed that the salaries of executives and supervisors be reduced, but that there be no cuts for men earning less than \$21 a week.

In 1932 the company put into effect a second wage cut; it also increased job assignments. Strikes resulted as rank and file union members discontinued support of union leaders and held out against the decrease in wages, increase in job assignments, and abandonment of joint research. After strikes and much disagreement, the company agreed to submit the matter to arbitration. Finally, the Textile Workers' Union of America, C.I.O., won an election in the Naumkeag plant under the auspices of the National Labor Relations Board. At present, Naumkeag union-management cooperation consists principally of collective bargaining.

Union-management cooperation in the ladies' garment industry is an example of union assistance to management. In 1939 wage scales in the New York dress industry were as high as in 1937, yet each week there was an average of \$250,000 less in the pay envelopes of 85,000 unionized dressmakers. The industry was losing ground and something had to be done. The International Ladies' Garment Workers' Union decided that the ills of the workers could not be cured until the employers' troubles were remedied.

The resulting collective-bargaining agreement between the Joint Board of the I.L.G.W.U. and five employer associations set a precedent for the trade union movement. This three-year pact for New York's largest industry established two "firsts" in union history:

1. It gave dressmakers a right to secure, through their union, efficient shop management on the part of their employers.
2. It provided labor and industry cooperation in raising money to promote the sale of dresses through publicizing New York's outstanding position in the field of style, fine workmanship, and sound values, and to establish New York City as the fashion center of the world.

Prior to negotiations, the union made a thorough study to discover why the industry was losing ground. They found that profits were not dependent upon wages; that the area of competition was broader; and that a lack of up-to-date machinery was resulting in waste. Most of the work was done by small contractors, and there was small capitalization for the large volume of business, making for chaotic competition. Incompetent supervisory staffs in many cases resulted in poor morale and

dissatisfied workers. Excessive idle plant hours were due not only to the seasonal character of the business but also to general inefficiency, lack of coordination in cutting and operating schedules, and failure to maintain machines. Poor planning, poor accounting, and budgetary systems contributed to the decline of the industry as well as to the widespread discontent on the part of retailers who were getting inferior goods and late deliveries. The study revealed that in one shop alone, efficiency could be increased 42% by the introduction of regular machine inspection, better lighting, air conditioning, work receptacles, and chairs built to minimize fatigue.

The union urged the consolidation of contracting shops in units large enough to make good management profitable. This they believed could be accomplished by a large-scale promotion campaign to bring about the greatest possible increase in business to employers. To that end the union offered to contribute \$100,000 for promotion and in return asked for better management to increase efficiency, boost business and wages. The preamble to the new contract declared that employers and workers alike "have much to gain through cooperative effort in stabilizing the industry, in providing for its efficient management . . . in effecting the modernization of production units, and in establishing conditions that will tend to secure to the workers continuity of employment, a fair living wage, adequate annual earnings, and fair conditions of labor." This is an outstanding example of liberal union-management cooperation.

The American Cast Iron Pipe Company of Birmingham, Alabama, is an example of an attempt at full employee-management cooperation in ownership as well as management. Joseph J. Eagan, the late president, believed that life and business should be conducted in accordance with the golden rule; that everyone should be given an opportunity for useful, honest work; that employees should be protected against unemployment; that each employee is entitled to a living wage, attention and care for himself and his family in case of accident or sickness, an old-age pension, and a share in the management of business.

Mr. Eagan's will reflected his philosophy of cooperation. It bequeathed his complete holdings of American Cast Iron Pipe Company common stock jointly to the members of the board of management and the board of operatives. These two boards were to act as trustees of these shares. They were instructed to use the dividends: to supplement inadequate wages and salaries so that all employees might have a living wage; to pay income to the employee, his wife, or minor children when the company is shut down or the employee is unavoidably kept from working (by accident, sickness, etc.). They were also asked to vote the stock.

The common stock is controlled by the board of trustees. The stockholders elect the board, which determines the policies and program of the company and is responsible for its operations. Other duties of the board are to elect company officers, examine the auditor's report, authorize expenditures, determine policy concerning reserve funds, financial security, etc.

The board of management—the executive committee of the board of directors—is charged with the detail management of the company's affairs, in accordance with policies established by the board of directors. It is composed of the divisional heads of the company.

The board of operatives is an advisory council to the board of management and consists of the Living Conditions Committee, the Work Conditions Committee, the Suggestion Committee, and the Garden Committee. A Colored Auxiliary Board to the Board of Operatives is charged with the welfare of colored employees.

Benefits and services available to employees under the Eagan Plan include: medical and hospital service; sickness and accident benefits; pensions; group insurance; funeral expenses; cooperative store; restaurant; gardening; plant magazine; savings plan; Christmas bonus; housing; suggestion awards; safety; service building; athletics; social work; religious work; educational work; apprentice training; employment and promotion.

According to Mr. Eagan's belief, business is a cooperative institution, the purpose of which is to serve acceptably and continuously all the essential needs of all the people all of the time; profit is the result, not the purpose, of good business procedure; a man in business for a sound principle will get more out of it than the man who seeks money and more money; the primary principles of business are honesty, justice, right; and the doing of right by a reasonable majority does away with the necessity for seeking rights. Cooperation on all sides is the ideal to be sought, according to the Eagan Plan.

Although this is an idealistic concept, and profits are important under the competitive system of free enterprise, some companies are emphasizing the "service" objectives of their businesses more than previously. Eagan's concept of management cooperation with labor has been proved by many companies to be a sound way to improve production and increase profits.

Need for Good Leadership.—Labor-management cooperation will achieve its fullest effectiveness if its shortcomings are recognized and taken care of. The first important factor in labor-management cooperation is the need for good leadership on both sides.

Labor leadership is often criticized by management as being radical, socialistic, communistic, "red," left wing, or dictatorial. Acquaintance with labor leaders indicates that only about one in ten might be called radical or some of the other things that management calls them. The remainder are hard-working men who have faith in the workers they represent. They may not have as much education and experience as some company officials, but they often have a keen sense of justice, of right and wrong. They know quickly when they are being "spoofed" or "bull-dozed." Profit-minded managements recognize this.

Only about one in ten industrial executives is hard-boiled, slave-driving, dictatorial, power-seeking, greedy, anti-union, selfish, arbitrary, or childish. This ratio seems to apply to the officers within a well-managed company as well as the officers of companies in general. In other words, one-tenth of the managers are no better to deal with, give no more consideration, than one-tenth of the labor leaders.

One of the great industrial griefs is that nine-tenths of the labor leaders and nine-tenths of the managers who try to deal in good faith have to suffer from the acts of this one-tenth. This "terrible tenth" has resulted in regulation by government to prevent them from doing injustice, and this makes it necessary for the other nine-tenths to come under those regulations. If it were not for these two one-tenths, labor-management cooperation would flourish more in the future than it has in the past. If the "terrible tenth" increases we can expect less labor-management cooperation. Greater cooperation is to be hoped for, even though in some industries and areas there may be considerably more than one-tenth of management's executives and labor officials that are "terrible."

Differentiation Between Cooperation and Collective Bargaining.

—The second important factor in labor-management cooperation is to distinguish between collective bargaining and labor-management cooperation. The president of one union and the chairman of the bargaining committee asked, when a labor-management committee was organized, "Aren't we doing that now in our collective bargaining meetings?" With adequate collective bargaining in good faith, are not most of the matters to be considered by labor-management committees already taken care of?

When all matters with reference to wages, hours, and conditions of employment are considered under collective bargaining, there may be relatively few things left for the labor-management committee to do. There is, however, a question of morale that can be more effectively handled by a labor-management committee which is separate from the bargaining committee. In other words, labor-management committees

can relieve bargaining committees of some of the lesser but still important duties.

Maintenance of Labor's and Management's Prerogatives.—The third factor to be considered is that neither the union nor management is willing to give up certain prerogatives. Management wants to maintain its prerogatives in hiring, promotion, and discharge. The union wants to have its say on these matters. Both union and management will have to concede certain points. Even after hard fighting and strikes, these issues remain to be settled around the conference table in a cooperative manner. It is better to do it first than last. Perhaps labor-management cooperation will bring the desires of unions and managements closer together, or at least make each more tolerant of the other.

Future of Labor-Management Cooperation.—Certain problems, such as shortage of war materials, neither management nor labor could solve during the last war. This, of course, was chiefly a phenomenon of wartime. However, can labor or management solve a problem such as unemployment in peacetime? Perhaps a cooperative front of labor, management, and the government may be able to accomplish this.

There are the difficulties between union and nonunion companies and between union companies competing in the same industry. These difficulties, too, must be worked out if labor-management cooperation is to function as it should.

Though these difficulties seem great, the solution is cooperation. Cooperation is the democratic way. Each human part must accept its full responsibility in good faith. If the three legs of the industrial stool can be made to function together, the rewards will be greater than ever before in this country. The more we fight, the harder it will be to get together and present a unified democratic front. The more we cooperate the greater will be the unity, the greater the results for each and all. With care and confidence, cooperation in good faith will result in the greatest good for labor, management, and government as well.

Examples of Cooperation

An example of full cooperation between employer and employees for the benefit of all concerned is the *cooperative*. Cooperatives are voluntary nonprofit associations of citizens—as consumers or producers—organized to increase the quality and reduce the price of essential commodities. Co-operators have long felt that by reducing the disparity between production cost and consumption cost, consumption would increase and, therefore, production and employment would increase.

Though many managements in competitive free enterprise object to the cooperative movement, good business sense would indicate that the principles of cooperatives and the motives of those in them should be studied and known because of the existence and persistence of their increasing number.

The principles of the cooperative movement were founded by twenty-eight almost destitute weavers in the town of Rochdale, England, in 1843. After a year of saving, they had capital amounting to about \$140, which they used to go into the grocery business for themselves. Their endeavor was successful from the start because they based all their dealings on the following fundamental principles:

1. Cooperatives are thoroughly democratic. Each shareholder has one vote, no matter what his investment is. People, and not money, control the cooperatives.
2. Cooperatives are nonprofit organizations. When consumers sell to themselves, there is no profit incentive. There are rebates, since merchandise is sold at regular retail rates as exact costs cannot always be predetermined. Audits at given periods reveal the exact costs, and the overcharge is returned to the consumer in proportion to the amount of his purchase.
3. There is no speculation, and capital is regarded the same as labor. The return on the consumer's investment is no more than the prevailing legal rate of interest. Shares are redeemable at par.
4. All consumers may join—there is no political, religious, or racial prejudice.

During their first year of business, the Rochdale pioneers did a \$3,500 business, and made a net profit of \$160. Fifty years later there was a membership of 12,000 and an annual business of \$1,500,000. Successful from the start, they used conservative business practices which permitted little risk or speculation and which have developed into secondary principles which are observed by cooperatives today. These principles include:

1. Voluntary membership.
2. Nonmembers may become members by allowing their share of the net earnings to be applied to their initial share capital.
3. A portion of the earnings is used for educational purposes in the field of cooperation.
4. Goods and services are sold for cash only at prevailing market prices.

5. At each inventory, reserves are set aside to cover depreciation and unforeseen difficulties which might arise in the operation of business.
6. Labor is fairly treated.
7. Cooperative societies cooperate with one another. Cooperatives federate to establish cooperative wholesales and to go into production for themselves.

Cooperation along the Rochdale lines was brought to America in 1910 by emigrants from Finland and Bohemia, who settled in the Middlewest, and soon formed cooperative societies. The Central Cooperative Wholesale was established at Superior, Wisconsin, and today it is doing a volume of business annually which exceeds several million dollars. In 1940 it had 118 local associations and a membership exceeding 40,000 families. Cooperative wholesale houses were established in all parts of the United States. The Eastern Cooperative Wholesale, Brooklyn, New York, with branch warehouses in Boston and Philadelphia, is the largest cooperative grocery wholesale, serving 20,000 members of affiliated societies. The cooperative movement in America has grown until in 1939-40 there were 2,649 cooperative associations with 900,000 members, doing an estimated business of \$358,000,000.00.⁵

The Cooperative League of the United States of America was created in 1915 to give a sense of unity and common purpose to the cooperatives in the nation. This was achieved by: (1) assisting old cooperatives with their business and educational activities; (2) helping new groups to organize cooperatives; (3) spreading information about the cooperative movement.

Cooperatives are established by first organizing studying and buying clubs. These groups undertake to inform the membership of the advantages of cooperative buying and to improve buying habits. Education is a definite plank in the cooperative platform. The following are some of the topics of discussions at the cooperative training courses: History and Principles of Cooperatives, American Cooperative Wholesales, Local Cooperatives, Replies to Anti-cooperative Attacks, Behind the Co-op Label, Co-op Testing Kitchens, and How to Understand Financial Statements.

The Rochdale Principles of Cooperation have especially appealed to the farm population, whose cooperatives specialized in commodities used in agricultural production. The Farmers Cooperative and Educational Union did much to teach the rural population the value of cooperatives.

⁵ *World Almanac*, 1942, p. 480.

In time, some of the rural cooperative organizations joined the national Cooperative League of the U. S. A. The common bond of cooperating together as consumers brought the urban and rural members into closer sympathy with one another's problems.

The Consumers' Cooperative movement carries with it great social and psychological significances, aside from its economic importance. Scarcity in a world of abundance and mass production was incomprehensible to many of those interested in cooperatives in this country as well as others. Overproduction and unemployment seemed incompatible, yet they existed together. The cooperative movement indicates that through cooperation people can achieve a higher standard of living by getting more for their money, qualitatively and quantitatively. A voluntary, democratic association of people, joined together for their combined benefit, unifies their popular emotions and tempers a too fierce rugged individualism. It does not minimize the importance of the individual in order to magnify the strength and power of the group; rather it gives members a sense of modest self-importance.

Four hundred members of nine different cooperatives in the East were selected as a random sampling of cooperative consumers in a survey of cooperatives made by the Ross Federal Research Corporation.⁶ The primary purpose of the survey was to discover the basic and most compelling reasons people had for belonging to cooperatives. It was found that money saving is not the most forceful reason for belonging to cooperatives. Quality of merchandise and dependability are the keynotes. There is also the satisfaction gained through mutual democratic action, and the satisfaction derived from quashing certain malpractices, such as substituting inferior quality, etc., as sometimes carried on by private business.

Naturally, there are some limitations to the cooperative technique. Because cooperative associations are democratic, they are subject to sharp splits and cleavages among members. Cooperatives usually lack capital and have "to start from scratch." This means that they should have a very competent business management. The high degree of technical efficiency in existing corporations is difficult for cooperatives to beat. The cooperative movement has been slow, because of the tremendous amount of education it requires to convince people of the value of cooperatives and to get them to "think cooperatives."

Labor unions and cooperatives seem to have an affinity for each other. Unions have felt that the wage gains achieved by collective bargaining are very often minimized by a rising cost of living. This can be offset.

⁶ *Sales Management*, May 15, 1940.

they believe, by *collective buying*. Hence, members of the working class and of organized labor have supported and furthered the cooperative movement, since cooperatives increase real wages by a reduction of prices or an increase in quality. Cooperatives have helped the cause of organized labor by refusing to handle "sweated goods" made under poor labor conditions. Also, cooperatives have donated foodstuffs, etc., for strike relief in disputes which they have deemed justifiable.

Cooperatives exemplify democracy at work and demonstrate the advantages of democratic endeavor to the common man. They also prove that in order to reap the benefits of group effort, it is necessary to accept and maintain the corresponding responsibilities.

Credit Unions

One form of cooperative enterprise which has been especially successful in industry is the *credit union*—a cooperative society organized under state or federal credit-union law for the purposes of encouraging members to save and of supplying them with a source of credit for provident or productive purposes. It has been designed to combine the weak credit of the low-income group to create a strong credit for the group.

The historical background of cooperative credit goes back to Francois Buchez, a Frenchman, who was a pioneer in this movement during the nineteenth century. Other European countries also had the germ of the cooperative credit idea, and the first true credit union was established in Belgium in 1848 by Francois Haeck. Friedrich Raiffeisen, however, is regarded as the "Father of the Credit Union," and in the years, 1849-88, he formed 425 credit unions in Germany. Credit unions were introduced in this country by Alphonse Desjardins, who organized a people's bank in Quebec at the turn of the century. In 1909 Desjardins assisted in formulating the credit-union legislation which was adopted by the Commonwealth of Massachusetts. At the same time he organized the first credit union in the United States, *La Caisse Ste. Marie*, at Manchester, New Hampshire.

The first credit union established under Massachusetts legislation was organized in 1910. The credit-union movement flourished in that state under the guidance and philanthropies of Edward A. Filene, a wealthy businessman. He organized and subsidized for fourteen years the Credit Union National Extension Bureau. This organization did much of the educational and promotional work which furthered the credit-union movement in the country. One by one the states passed credit-union legislation until all except four states issued credit-union charters. In 1934 a Federal Credit Union Law was passed which estab-

lished a Federal Credit Union Section in the United States Farm Credit Administration. It was transferred to the Federal Deposit Insurance Corporation in 1942. The responsibilities of this Section are to supervise federal credit unions and to supply information and assistance to groups who want to incorporate credit unions under federal law. Credit unions established under state laws are supervised by state banking commissions.

A group desiring to incorporate a credit union may do so under either federal or state law (if the state has a credit-union law). Much cooperation exists between state and federal credit unions, and they may unite in state credit-union leagues. These state leagues are federated in the Credit Union National Association, which now carries on the educational and promotional work started by Filene's Credit Union National Extension Bureau.

After a charter and the bylaws are obtained from the Federal Credit Union Section or the state banking commission, the Board of Directors and Committees are elected by the membership. The Board, consisting of at least five members, has general direction and control over the affairs of the credit union. The Board has charge of the investment of funds, except loans made to members. Loans are made by a Credit Committee of at least three members who examine and approve the loans. A Supervisory Committee examines the affairs of the credit union and conducts a quarterly audit of the books. By an unanimous vote, it may suspend any officer of the credit union, or any member of the Board of Directors or the Credit Committee. It is also within the jurisdiction of the Supervisory Committee to call a special meeting of the membership to consider any violation of the bylaws or any act considered unsafe or unauthorized. Stewart⁷ has shown graphically the operation of the credit union and the place of the Board in its functions.

Credit unions are especially beneficial to the low-income group. They supply credit to their members at a low rate of interest. They give their members a chance to better themselves financially by making it possible to take advantage of opportunities for good purchases. They provide cash in cases of emergency, such as accidents and sudden illnesses. They protect their members from exorbitant rates charged by loan "sharks." Whatever is earned on the shareholders' money is shared by the members at the end of the year. The members themselves vote on the amount of the dividend and the amount to be set aside as a reserve fund against bad debts.

⁷ Maxwell S. Stewart, *Credit Unions—The People's Bank*, Public Affairs Pamphlet No. 50, Public Affairs Committee. 1941.

One of the main considerations in organizing a credit union is that the membership be limited to a definite group having some common bond, such as: occupational, associational, community, or rural. When the membership is a well-knit group, there is better cooperation and there is less expense involved in making loans, since no costly investigation of character, etc., is necessary when considering making a loan. Also, because the members are well known to each other, there is less danger of bad loans. Over 9,000 associational, occupational, and residential (community) credit unions existed in February, 1941.⁸

The occupational credit unions are the most numerous and the most successful. This is because the members are so closely knit. The credit union is close to the source of income, and fees, deposits, and repayments can be paid on payday before other demands are made on the pay envelope. Then, too, quite often the employer furnishes the office, thus eliminating rent, light, and heat expense. As credit unions are designed for the low-income groups, occupational groups contain many people who fall into the medium and low-income groups. The credit union of one large company encouraged the employees to save systematically and to borrow wisely by using a well-designed descriptive leaflet.⁹

The success of credit unions has been almost universal. Very few have failed, and virtually none have caused any loss to their members. Some of the credit unions which have failed never did get started after obtaining their federal or state charters, and their total loss was their expenditures for office equipment, supplies, etc. In general, according to a survey made by the Farm Credit Administration in 1939, the most important reasons for the failure of credit unions have been:

1. Inability to obtain competent officers during early years of operation.
2. Industrial shutdowns, labor trouble, unemployment, and fear of unemployment.
3. Too small memberships.
4. Lack of cooperation from management in the case of industrial credit unions.

The objection that credit unions are competing with commercial banks is quickly dispelled when it is realized that the credit unions are not encroaching upon the banks' field of business but are developing a new field of small loans which a regular bank does not usually handle. Also,

⁸ M. S. Stewart, *op. cit.*, p. 12.

⁹ For example, see that of the Credit Union, Rome Division, Revere Copper and Brass Incorporated, Rome, New York.

credit unions bring additional large deposits to the banks as well as borrow from the banks.

The figures for the early part of 1942 showed that there were 10,000 credit unions in the United States with assets of \$325,000,000. Eight million dollars were paid back in dividends to the 350,000 members. The total amount outstanding in loans was \$212,000,000, with the average loan being about \$117. From these figures, the combined strength of many small deposits is made self-evident. Besides systematic saving and the opportunity to borrow small and large sums readily, credit union members have learned and are learning the profits to be gained through cooperative endeavor.

Cooperation—a Keystone of Industrial Democracy

There are, in this country, enough men, machines, materials, money, and methods to produce the highest standard of living yet known anywhere. There are people who want and need to consume all that can be produced. And yet, even in normal times, production and consumption never seem to balance. This gap between production and consumption can be bridged by *cooperation* among managements, labor, government, farmers, and others, for their highest mutual benefit. On the one side is the *ability to produce*; on the other is the *desire to consume*, and the gap between the two can be bridged by cooperation between *management and labor, labor and the government, the government and management*, farmers with these and others; in fact, the best intra-cooperation of all groups interested.

Personnel Relations Ideals to Strive For

Although some progress has been and can be made toward cooperation of management, labor and the government by the application of the principles and practices described in this book, they are not panacean. Many problems are unsolved. Some of the ideals to strive for are:

Generally—

1. More democracy in industry—more voting, more education, more persuasion, less dictatorial methods, less arguments, less "fighting"; more enlightened, successful, and democratic management; more responsible, democratic unions; more emphasis on democracy in government.
2. Greater acceptance of the responsibilities¹⁰ of a democracy by individual and groups for the enjoyment of the rights and privileges.¹⁰

¹⁰ See "New Bill of Rights" of the National Resources Planning Board, *New York Times*, March 11, 1943, p. 12; and Henry A. Wallace's "Bill of Duties," *The American Magazine*, July, 1941, p. 9.

More acceptance of the responsibilities for individual self-development—mental, physical, social, moral, emotional, vocational, and avocational.

3. Higher production for use and full employment, with high wages, reasonable profits, and lower costs and prices by obtaining the cooperation of those concerned to produce more for better food, shelter, clothing, education, and recreation.

4. Better leadership in management, labor, and the government; better understanding and confidence among the leaders of labor, management, and the government.

5. Higher moral standards—greater belief and faith in democracy and God; more participation in religious activities.

6. Better training and education for adults as well as for youth. More learning while earning.

7. Greater use of science for man, in a democracy: physical sciences—chemistry, physics, engineering—for more and better inventions, new and improved products, the reduction of drudgery, increased production, decrease in hours of work, and improvement of working conditions; more use of medical and social sciences for greater mental and physical health and happiness of all employees.

8. Greater social security and safety for those in industry, business and on the farm, who through no fault of their own may not be secure to work to the utmost of their abilities.

9. Better policies, ideals, and goals for business, industry, and labor unions.

In Personnel Relations—

1. Creation of a more satisfactory mechanism for cooperation between management, unions and government, and for the settlement of disputes, on a national basis as well as in each industry, community and area. (Example: Such as, perhaps, a management council in the Department of Commerce representing all managements of commerce and industry; a labor council in the Department of Labor representing all labor; and a tripartite council selected one-third from the labor council, one-third from the management council and the final third representing the public, selected by the other two-thirds or appointed by the President with the consent of the Senate and the House of Representatives. Also similar councils for each industry, community, and area.)

2. Better means of measuring individual ability, merit, capabilities, effort, and personality, and rewarding them more humanly in employment and adjustment while at work.

3. Better means of setting wages and standards of living; an annual wage for a high standard of living; better wage administration.

4. Better professional personnel relations leaders in management, unions, and government; better professional experience, training and education of officials in personnel relations; more professional personnel relations methods.

5. More research and investigation of personnel relations (similar to research in chemistry, physics, etc.) ; more and better personnel relations laboratories.

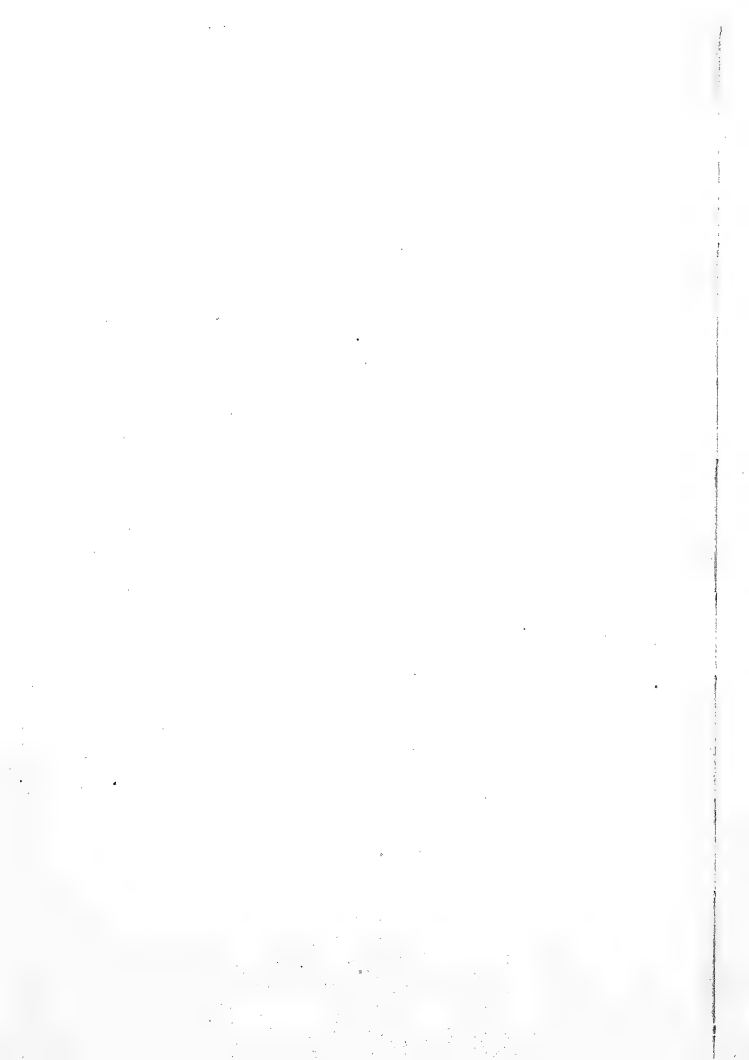
6. Better means of increasing job satisfaction¹¹ and the making of more new satisfying jobs.

7. A policy of continuous improvement in personnel relations.

8. A clearer understanding of the place of foremen in management, or union.

¹¹ See R. B. Hersey's "Labor Relations 1941—Cooperation or Dictation," *Personnel Journal*, May, 1941, p. 271, for a good description of a congenial job in a democracy.

"Whatsoever things are true, whatsoever things are honest, whatsoever things are just, whatsoever things are pure, whatsoever things are lovely, whatsoever things are of good report, if there be any virtue, and if there be any praise, think on these things." (St. Paul in Philip-
pians 4:8.)



APPENDICES



APPENDIX A

STATISTICS IN PERSONNEL RELATIONS

Statistical Comparison of Groups and Individuals.—Statistics, the science of summarizing masses of numerical data and of establishing the relationships among such data, provides a number of useful tools in personnel relations. Statistics makes possible objective comparisons of test results, ratings, wage rates, costs of living, ages, accident rates, and myriads of other data of key importance. It enables personnel relations workers to study mathematically and objectively the interrelationships of two or more sets of data such as, for instance, the relationship of test scores of entering applicants to production records, of length of service to merit ratings, or length of work-week to rates of absenteeism.

Recently statistics has been extended beyond the mere summarization of masses of data collected from the reactions of a large number of different individuals on a single measurable fact, by the further application of these same methods to the objective description of an individual's status with regard to many different measurable factors. The practical aspects involved in the analysis of the general abilities, ratings, aptitudes, vocational interests, emotional maturity, etc., for a single individual are clearly shown by the tremendous emphasis being placed upon case studies and the follow-up of individuals (by measurement) over long periods of time.

The use of averages is commonly applied to the comparison of groups. An average indicates the central tendency of a group, and is the most representative value in an array of figures. The single values most frequently used to represent groups, in order of their amount of use, are the arithmetic mean (commonly called the "average"), the median, and the mode.

The arithmetic mean or average is obtained by adding an array or series of figures and dividing the sum by the number of figures in the series, the quotient being the average. For example, adding 1, 2, 2, 3, 8, 9, 10, the sum is 35; dividing by 7 (the number of figures in the series), the quotient or average is 5. The median is the middle value of a series of numbers arranged in order of magnitude from the lowest to the highest, with the same number of figures above the median as are below.

In the above instance, the median is 3. In an even number of figures, the median is the value half way between the two middle figures. If the 1 were omitted, the median in the above series of figures would be 5.5, or half way between the 3 and 8. The mode is the value which occurs most frequently in an array or series. In the sample array of figures, 2 is the mode of the group because it occurs twice; more than any of the other figures.

The arithmetic mean or average is the value generally employed, possibly because it is easy to figure. Some statisticians, however, prefer the use of the median in their work because it is not affected by extreme figures and values and thus it shows more adequately the central tendency in personnel qualifications. For example, suppose a personnel manager were trying to select the two best men from two groups of five, each based upon the average of trade test scores. Group A had scores of 6, 6, 6, 6, 6; Group B had scores of 1, 2, 8, 9, 10. The average of Group A is $6 + 6 + 6 + 6 + 6 = 30 \div 5 = 6$, and the median (the middle number) is 6. The average of group B is $1 + 2 + 8 + 9 + 10 = 30 \div 5 = 6$, but the median is 8 which shows that half of the men in group B are 8 or above. In group A none of the men are above 6. A difference of 2 points between the mean and median exists in group B. Consequently, he would select the two men from the top of group B. The median shows this fact. Other series may have a lower median than the average. For personnel selection and the diagnosis of groups, the median is sometimes considered the better figure for showing the central tendencies when it is desired to eliminate the effect extreme cases have on the average. However, one sometimes wants to include the effect of the extremes on the central tendency, in which case the mean is usually more reliable than the median. In recent years, however, it has been considered that the mean is generally more reliable with the usual data.

Frequency Distribution

It is often desirable to know the relative number in each grade, or the value of the results within a single group. For example, if a group of employees were being studied, it might be important to know how many made the lowest score on a test, how many the highest, and so on. It may even be of significance to know how many were in the lowest quarter, lowest tenth, or lowest one-hundredth of the range of values. For this interpretation, a frequency table is used. A sample of such a table is given in Figure 72, for the scores of an employee test.

The range of scores on the test is from lowest (1) to highest (50). The scale is divided into equal parts, called for convenience of tabula-

tion class intervals. Opposite each class interval is tabulated the number of persons receiving a score in that interval. On the frequency table, Figure 72, three persons received scores from 6 to 10. After the scores are tabulated in this form they are totaled and shown to the right of each interval. The frequency table classifies the scores so that the observer can readily see how many persons obtained scores in the intervals under consideration. If the scores are divided into class intervals, the limits of each interval should be distinct and should not overlap for convenience in tabulating. For example, instead of listing the hundred scores in class intervals: 0-10, 10-20, 20-30, and so on, they should be listed: 0-9, 10-19, 20-29, or 0-9.9, 10-19.9, 20-29.9, and so on.

From a frequency table the median can be readily figured by making cumulative totals from top to bottom, selecting the middle number, and

Score	Tabulation	Frequency
1-5	|	1
6-10	|||	3
11-15	|||| |||	8
16-20	|||| ||| ||	12
21-25	|||| ||| ||| ||| |||	24 Mode = 23
26-30	|||| ||| ||| |||	18 Median = 26.5
31-35	|||| ||| |||	14
36-40	|||| ||| ||	12
41-45	|||| |	6
46-50	||	2
Total—Sum		100

Figure 72. Frequency Table

determining its value in its class interval and range of scores. For example, in the frequency table count 50 ($\frac{1}{2}$ of 100) numbers down from the top of the frequency. The middle or 50th case falls two numbers into the class interval 26-30. There are 18 cases in that class interval, therefore the median would be at $2/18$. As the intervals include five separate figures, $2/18$ is multiplied by 5 ($2/18 \times 5 = 10/18$, or .55) which result (.55), when added to 26, would place the median at 26.55.

The frequency distribution is often shown in graphic form by means of the frequency polygon. A base line or abscissa is divided into equal units which indicate the scores and class intervals. A vertical line, or ordinate, is divided into units, which represent the frequency. The frequencies of each score or class interval are then plotted on the scores at the mid-points of its interval to show the total. These plotted points

are connected by straight lines which make the polygon. The frequency polygon for the above frequency distribution and table is shown below as curve *A* in Figure 73.

If the number of cases in a frequency distribution were increased infinitely, the frequency polygon would approach what is called the normal curve, or probability curve. Curve *B*, Figure 73, is an approximate normal curve superimposed upon the frequency polygon data. If the range of scores of a normal distribution were divided into five equal parts, about 46% of the cases would fall in the middle fifth of the range, 23% in each of the two-fifths next to middle, and 4% in each of the end fifths. If the possible scores on an employee test were from 0 to 50 and the distribution of the scores were normal for the group, 3% would receive

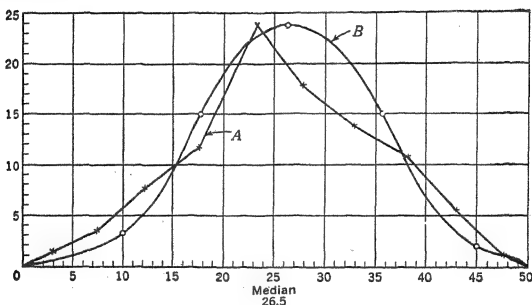


Figure 73. *A*—Frequency Polygon; *B*—Normal Distribution Curve

scores from 0 to 10, 22% from 11 to 20, 50% from 21 to 30, 22% from 31 to 40, and 3% from 41 to 50. Scores or grades which distribute normally in these proportions are usually considered reliable.

Frequency distributions may have the same mean, yet may have entirely different standard deviations. The same may be true of the median and the mode.

Measures of Range and Variability

Therefore, in order to make the description of a frequency distribution ample, some measure of variability should be stated, such as the range, mean deviation, quartile deviation, or standard deviation. The range is the distance or amount from the lowest score to the highest.

Of the scores 2, 3, 5, 8, 11, the range is $11 - 2 = 9$, while that of the figures 2, 2, 3, 3, 4 is $4 - 2 = 2$. The mean deviation is the average of all deviations from the measure of central tendency, such as the mean or median. The quartile deviation divides the total frequency distribution into four equal parts. It is obtained by dividing the total frequencies by 4 and finding the points in terms of class intervals which divide it into the four equal parts. For example, if there were 100 cases, the lowest 25 would be below the first quartile (Q_1), the highest 25 would be above the third quartile (Q_3), the second lowest 25 cases would be between the median and the first quartile (Q_1), and so on. The quartiles give roughly the scatter or variability of 50% of the cases about the central tendency, and this is usually reported as a plus or minus value from the median.

Probably the most generally accepted indication of variability is the standard deviation, usually represented by S.D. or sigma, σ . It is obtained by squaring the deviations of individual scores from the mean, adding them together, dividing the sum by the number of cases, and then taking the square root of the quotient. For a small number of cases it is usually so figured. For a large number of cases with class intervals, it is usually figured by establishing an arbitrary class interval origin and calculating the standard deviation by formula, Figure 74.

Use of Correlation

In order to draw conclusions from personnel data, two or more factors may have to be considered. The relationship which exists between factors and the effect one has upon the other are desired because almost every personnel problem involves relationships between variables. If the relationship and one factor were known, the other might be predicted approximately. For example, if a close relationship exists between a trade test score and proficiency in that trade, the latter might be predicted before employment, by the use of a trade test score.

Statistics provides a method of finding a quantitative measure of relationship (called the *correlation*) between two personnel variables. A scatter diagram and correlation table provide the means for comparing variables and for finding the coefficient of correlation, which is the quantitative measure of the degree of correlation. The coefficient of correlation may be illustrated in the determination of whether any relationship exists between a trade test score and proficiency in that trade, as determined by the pieces produced. If it is found that the employees with the highest trade test scores have the highest proficiency, each employee down to the poorest ranking equally in both trade test scores and

output, the correlation is perfect or positive and is expressed by a coefficient of correlation of plus one (+1).

A directly contrary or negative correlation is obtained when the employee with the highest trade test score is lowest in proficiency, and is expressed by a minus one (-1). The relationship falling half way between these extremes is expressed by 0, and represents neutrality or a purely chance relationship. A coefficient of correlation of +.50 shows a considerable tendency towards correlation. A plus correlation indicates

1 Individuals	2 Score of Test	3 Rank in Test Scores	4 Pieces Produced	5 Rank in Pieces Produced	6 Difference in Ranks	7 Difference in Ranks Squared
A.	48	1	22	3	2	4
B.	44	2	18	5	3	9
C.	40	3	20	4	1	1
D.	36	4	26	1	3	9
E.	32	5	14	7	2	4
F.	28	6	16	6	0	0
G.	24	7	24	2	5	25
H.	20	8	10	9	1	1
I.	16	9	8	10	1	1
J.	12	10	12	8	2	4
10						58
$\text{Coefficient of Correlation (R)} = 1 - \frac{6 \times \text{Sum of Differences Squared}}{\text{Number of Cases}[(\text{Number of Cases})^2 - 1]}$ $R = 1 - \frac{6 \times 58}{10(100 - 1)}$ $R = 1 - \frac{348}{990}$ $R = 1 - .35$ $R = .65$ $\text{P.E.}_R = 6745 \frac{1 - R^2}{\sqrt{N}} = .6745 \times \frac{1 - (.65)^2}{\sqrt{10}} = .123$ $R = + .65 \pm .123$						

Figure 74. Sample of Rank Correlation of Employee Test Scores with Number of Pieces Produced

that as one variable increases numerically, the other will do likewise. A negative correlation means that as one variable increases numerically, the other decreases (provided scores are plotted on the scatter diagram as in Figure 75, numerically largest *Y*-scores at the top of the sheet and numerically largest *X*-scores at the right). The coefficient of correlation is represented by *r* in the Pearson Product Moment Method and by *R* in the Spearman Rank Method.

Correlations are made by two main methods, the Rank Correlation Method and the Pearson Method. To correlate by the Rank Method the procedure is as follows:

1. Arrange the scores of one criterion in descending order as shown in column 2 of the sample rank correlation, Figure 74.
2. Place opposite the score of each individual his score in the second criterion (column 4).
3. Find the rank order of each score or result in each set of criteria (columns 3 and 5).
4. Find the difference between these ranks (column 6).
5. Square each difference and find the sum of the difference squared (column 7).
6. Multiply the sum of the difference squared by 6. See formulas at the bottom of the sample rank correlation, Figure 74.
7. Multiply the number of measures used by its square minus one.
8. Divide the numerator (the result of procedure 6 above) by the denominator (the result of procedure 7 above).
9. Subtract the quotient obtained (result of procedure 8 above) from 1.
10. The remainder is the coefficient of rank correlation represented by R . A sample of the Rank Correlation Method is given as Figure 74.

The Pearson Method of correlation is calculated by means of a scatter diagram and correlation table such as the one arranged by Professor W. E. Edington and the author, Figure 75. It is the superimposing of two frequency distributions, one upon the other, and the determination of their relationship or coefficient of correlation from the frequencies of each criterion.

The range of each criterion is subdivided into class intervals as shown on the chart, Figure 75, to the right of and below the square marked "class interval." The criteria correlated on the chart are scholarship grades in per cent and personality ratings in points. The lowest scholarship grade was 70% and the highest 96%. The range was divided into approximately ten class intervals of 3% each while the personality ratings were divided in class intervals of .5 point. From this, a scatter diagram was made by finding the scholarship grade of an individual and placing a mark in the column of that grade opposite the score or interval in which that student's score fell in the personality rating. For example, if a student received 73 in scholarship grades and 8 in personality ratings, a check would be placed under the class interval, column 73-75, and in the row class interval 7.6-8.0. After all the scores in both criteria were

so tabulated, the frequencies in each column as shown in the row fx and the frequencies in the rows as shown in the column fy were added. The sum of the frequencies in row fx and column fy should check. The cumulative sum of the frequencies can then be easily obtained by adding the frequencies from top to bottom (column $C\Sigma fy$) and from left to right (row $C\Sigma fx$). From the cumulative sums of these frequencies, the median can be readily determined by finding the mid-figure. For example, in the sample, Figure 75, there were 308 individuals. The median would therefore fall between the 154th and 155th individual. To find the median of personality ratings, one would count from the top down in column $C\Sigma fy$ until he arrived at the middle value, 154.5, which in this case would be $\frac{154.5 - 106}{103} \times .5 = .23$ into the class interval 7.1-7.5, or 7.33. Quartiles can be figured in a similar manner by taking only one-quarter of the number of cases at a time.

After the frequencies have been totaled, a trial mean class interval, which appears to be the nearest to the median, is chosen by observation. In the sample, the class interval 7.1-7.5 was chosen. This was marked 0 in the column dy and in the class interval 82-84 in the row dx . Above and below the trial mean class interval the number of class intervals from the chosen trial mean is marked plus above and minus below it, as shown in the column dy and the row dx . The frequencies and the number of class intervals plus and minus from the trial mean are multiplied as shown in the column $fydy$ and the row $fxdx$. These last results are then again multiplied by the dx 's and dy 's which gives the column marked $fydy^2$ and $fxdx^2$.

To find ax for any column, multiply each frequency in that column by its corresponding dy , and add the products. To find ay , follow the same procedure, using rows instead of columns. As a final check on accuracy, the sum of the ax 's should equal the sum of the $fydy$'s, and the sum of the ay 's should equal the sum of the $fxdx$'s. As an example, to find ax under the class interval 70-72, take the number of frequencies in each row of that column and multiply it by its corresponding dy . The first frequencies in that column is in row class interval 7.1-7.5. As the frequency is 1, multiply it by its corresponding dy , which is 0, and the result will be 0. In the next lower row, class interval 6.6-7.0, the frequency is 1. Its corresponding dy is -1. Then $1 \times -1 = -1$. The frequency in the next lower row, the class interval 6.1-6.5, is 1. Its corresponding dy is -2, and $1 \times -2 = -2$. Therefore the sum of all of the products of the frequencies times their corresponding dy 's would be $0 + -1 + -2$, which equals -3, as shown in the row ax under the column class interval 70-72. The values in the column ay and row ax are next multi-

plied by their corresponding dy 's and dx 's. Finally, sums are made of the respective columns and rows. As a check on accuracy, the following relationships should exist:

$$\begin{aligned}\Sigma a_x d_x &= \Sigma a_y d_y; \Sigma a_x = \Sigma f_y d_y \\ \Sigma a_y &= \Sigma f_x d_x; N = \Sigma f_x = \Sigma f_y\end{aligned}$$

The number of items is represented by the letter N which is the sum of the frequencies (308 as shown in the sample, Figure 75). The coefficient of correlation can be determined by substituting the resulting values in Figure 76.

$$r = \frac{N \Sigma a_x d_x - \Sigma f_x d_x \cdot \Sigma f_y d_y}{\sqrt{N \Sigma f_x d_x^2 - (\Sigma f_x d_x)^2} \sqrt{N \Sigma f_y d_y^2 - (\Sigma f_y d_y)^2}}$$

Figure 76. Coefficient of Correlation Formula

Reliability and Validity

In statistics, it is usually desired to know how exact the tools are that are being used, or how near a certain result is to the true one—which is called reliability. It may refer to how near a small group is to a representative or normal group. It also refers to whether a test, for example, is of and within itself an accurate test and is consistent, or gives the same results consistently.

The reliability of data are usually determined by the probable or standard error. The reliability of a test is usually determined by repeating the test and correlating the results which, if high, show one source of reliability. Other means of determining reliability are: by the intercorrelation of the sum of the odd and the sum of the even items of a test; by the correlation of one-half of the test with the other half; and by the low intercorrelation of the various items, etc.

Also, we often want to know how valid a statistical tool is; whether a test measures what it is supposed to measure. Validity is determined by correlating the results with other criteria, such as a high correlation of the results of an employment test with factors as production, wages, efficiency in per cent, quality and ratings. High validity is present when there is a high correlation with other objective criteria. For personnel data and tools such as tests, high reliability and validity are important.¹

¹ Also see "Selection Ratio" and Taylor-Russel Tables in J. Tiffin's *Industrial Psychology*, Prentice-Hall, Inc., 1942.

In determining correlations or figuring almost any data, sampling errors will exist. This is because conclusions have to be drawn from a limited number of cases. For example, if the average trade test score of a hundred men were to be found, and ten of them selected at random for figuring the average, the result which would be obtained from the ten would not likely be the average for the whole group. However, the possible difference between the actual average of the hundred and the calculated average of the ten can be figured, and is called in statistics the Probable Error, P.E. The Probable Error sets limits above and below the calculated value, between which there is an average chance that the true measure lies. It tells to what extent the measure is reliable or stable. The Probable Error is worked out mathematically, and its formula for the coefficient of correlation is shown in Figure 77.

The standard deviation mentioned previously can also be figured directly from the table of correlation by the formula shown in Figure 78. The Probable Error formula for the mean is shown in Figure 79. For the median it is shown in Figure 80.

$$\text{P.E.}_r = .6745 \frac{1 - r^2}{\sqrt{N}}$$

Figure 77. Formula for Probable Error of r

$$\text{Sigma} = \sigma = \sqrt{\frac{\text{c.i.}^2}{(\sum f)^2} [(\sum f)(\sum fd^2) - (\sum fd)^2]}$$

where c.i. = value of class interval

Figure 78. Formula for Standard Deviation

$$\text{P.E.}_{\text{mean}} = .6745 \frac{\sigma}{\sqrt{N}}$$

Figure 79. Formula for Probable Error of Mean

$$P.E._{mdn.} = .8454 \frac{\sigma}{\sqrt{N}}$$

where N is the number of cases and σ is the standard deviation of the distribution

Figure 80. Formula for Probable Error of Median

The Rank Correlation Method is often used for a small number of items, 50 or less, but over that number the Pearson Product Moment Method can be calculated more quickly. From the same set of data it is possible to determine the coefficient of correlation, the probable error and standard deviation of both criteria being correlated; and there is less calculation for larger numbers of cases, inasmuch as the calculations are made by groups and not by individual items.

If we separate the figures of personality ratings, y , from the others in Figure 75 we would have:

<i>Class Interval (C.I. = .5)</i>	<i>Frequency fy</i>	<i>Deviation dy</i>	<i>fydy</i>	<i>fydy²</i>
9.1-9.5	1	4	4	16
8.6-9.0	8	3	24	72
8.1-8.5	17	2	34	68
7.6-8.0	80	1	80	80
7.1-7.5	103	0	0	0
6.6-7.0	73	-1	-73	73
6.1-6.5	22	-2	-44	88
5.6-6.0	4	-3	-12	36
5.1-5.5	0	-4	0	0
4.6-5.0	0	-5	0	0
	<u>$N = 308$</u>		<u>13</u>	<u>433</u>

Using the formula for sigma, σ , its value is:

$$\text{Standard Deviation, } \sigma = \sqrt{\frac{(.5)^2}{(308)^3} [(308 \times 433) - (13)^2]}$$

$$\sigma = \sqrt{\frac{.25}{94864} \times 133195} = \sqrt{.35}$$

$$\sigma = .592$$

The formula for finding the mean is:

$$\begin{aligned}\text{Mean} &= \text{Assumed Mean} + \left(\frac{\sum f y d y}{\sum f y} \times \text{Class Interval} \right) \\ &= 7.3 + \left(\frac{13}{308} \times .5 \right) \\ &= 7.3 + .02 = 7.32\end{aligned}$$

The Probable Error of the mean is:

$$\begin{aligned}\text{P.E.}_m &= .6745 \frac{\sigma}{\sqrt{N}} \\ &= .6745 \times \frac{.592}{\sqrt{308}} = .022\end{aligned}$$

Then the mean is:

$$\text{Mean} = 7.32 \pm .022$$

The median is the value of one-half of the sum of the frequencies, $\frac{1}{2} \times 308 = 154$ th number. Counting up from the bottom of the frequency column, $4 + 22 = 26$; $26 + 73 = 99$; $99 + 103 = 202$, which is beyond the 154th number, but it is $154 - 99 = 55$ numbers in the 103 frequency, or $\frac{55}{103} \times .5 = \frac{27.5}{103} = .26$ into the class interval 7.1-7.5, or $7.1 + .26 = 7.36$, which is the median.

The Probable Error of the median is then:

$$\text{P.E.}_{\text{med.}} = .8454 \frac{\sigma}{\sqrt{N}} = .8454 \times \frac{.592}{17.55} = .028$$

If there are two means of two distributions, and it is desired to know whether there is a true difference, one mean is subtracted from the other, and the Probable Error of the difference determined. If the difference divided by the Probable Error of the difference, which is the critical ratio, is 4 or more, there are practically 100 chances in 100 that there is a true difference greater than zero.

The formula for determining the Probable Error of the difference between means ² or medians is:

$$\text{P.E.}_d = \sqrt{\text{P.E.}_{m^1}^2 + \text{P.E.}_{m^2}^2}$$

where P.E._d = Probable Error of the difference
 P.E._{m^1} = Probable Error of the first mean
 P.E._{m^2} = Probable Error of the second mean

² Uncorrelated groups.

Also the standard error can be used. (1) The standard error of the mean is:

$$\sigma_m = \frac{\sigma}{\sqrt{N}}$$

(2) The standard error of the median is:

$$\sigma_{mdn.} = \frac{1.2533\sigma}{\sqrt{N}}$$

With the standard error, if the difference divided by the standard error of the difference is a critical ratio of three, there is a true difference.

Combining Test Scores from Different Distributions

A good method of comparing scores made by different individuals in different factors in different distributions is by *Z*-scores, the formula of which is:

$$Z\text{-score} = \frac{\text{Raw Score} - \text{Mean of Raw Score}}{\text{Standard Deviation of Raw Scores}}$$

A comparison of *Z*-scores makes those scores objectively comparable, and is preferred by most good industrial psychologists.³

³ For good explanation of the use of *Z*-scores in comparing the ratings of different individuals on different traits, see Joseph Tiffin, *Industrial Psychology*, New York, Prentice-Hall, Inc., 1942, p. 347, etc.

APPENDIX B

PERIODIC PERSONNEL AUDIT REPORT

CONSOLIDATED PERSONNEL REPORT FOR MONTH OF MARCH, 1942

PERSONNEL PRACTICES	PLANT A	PLANT C	PLANT D	PLANT E	TOTAL	AVERAGE	% OF TOTAL
1. EMPLOYMENT							
(a) Applications Received.....	201	110	141	23	701	100	-
(b) Applicants Interviewed.....	219	90	261	37	881	126	-
(c) Employees Hired -							
Total.....	2	55	50	4	137	20	-
(1) New Employees.....	2	46	46	4	118	17	85%
(2) Rehired.....	-	9	4	-	19	3	15%
(d) Progress Reports Received.....	57	11	102	12	210	30	-
(1) Excellent.....	-	5	2	-	7	1	3%
(2) Satisfactory							
Above Average.....	8	-	19	-	32	5	15%
Average.....	47	5	76	12	163	23	78%
Below Average.....	2	-	1	-	3	-	2%
(3) Poor.....	-	1	4	-	5	1	2%
(e) Tardiness - Number of Employees.....	120	142	348	179	941	134	-
(f) Average Number of Employees.....	1,211	1,247	3,163	1,063	9,377	1,340	-
(1) Mill Payroll.....	1,097	1,075	2,886	807	8,093	1,156	86%
(2) Office Payroll.....	114	172	277	256	1,284	164	14%
(g) Labor Turnover -							
Total Number.....	40	21	101	32	268	38	3%
(1) % of Average Payroll.....	3.3%	1.68%	3.5%	2%	17.48%	2.5%	-
(2) Quits.....	23	7	97	13	170	24	-
(3) Discharges.....	-	6	1	4	13	2	-
(4) Layoffs -							
Total.....	3	4	3	15	50	7	-
Rehire Possibilities.....	-	2	79	11	139	20	-
(5) Military Separation.....	14	4	-	-	35	5	-
(h) Rate Changes.....	56	34	188	68	460	66	-
(1) Approved.....	56	31	182	68	445	64	-
(2) Disapproved.....	-	3	6	-	15	2	-
2. TOTAL OPERATING HOURS	204,046	254,307	578,686	178,605	1,696,015	242,288	
(a) Office.....	18,696	35,020	50,817	13,090	195,542	27,649	11%
(b) Mill.....	185,350	221,287	527,869	165,515	1,502,473	214,639	89%
3. ACCIDENTS							
(a) Number Lost Time..	1	2	16	1	25	4	-
(1) Fatal.....	-	-	-	-	-	-	-
(2) Permanent							
Partial.....	-	-	3	1	6	1	24%
(3) Temporary.....	1	2	13	-	19	3	76%
(b) Days Lost from Accidents which Occurred in Current Month.....	26	13	243	1,800	2,704	386	-
(c) Days Lost from Accidents which Occurred in Previous Months.....	31	-	133	31	284	41	-
(d) Number Minor Injuries.....	4	400	836	249	2,516	359	-
4. GRIEVANCES							
(a) Number Received by Foremen or Superintendent.....	58	-	40	4	112	16	-

CONSOLIDATED PERSONNEL REPORT (Continued)

PERSONNEL PRACTICES		PLANT A	PLANT C	PLANT D	PLANT E	TOTAL	AVERAGE	% OF TOTAL
4.	(1) Hours and Wages	-	-	35	4	47	7	-
	(2) Working Conditions.....	-	-	5	-	7	1	-
	(3) Others.....	58	-	-	-	58	8	-
	(b) Number Received by Personnel Dept....	-	2	16	3	59	8	-
	(1) Hours and Wages	-	1	12	1	32	5	-
	(2) Working Conditions.....	-	1	4	2	13	2	-
	(3) Others.....	-	-	-	-	14	2	-
	(c) Number Sent to Grievance Committee.....	-	-	6	1	16	2	-
	(1) Hours and Wages	-	-	4	-	9	1	-
	(2) Working Conditions.....	-	-	2	1	5	1	-
	(3) Others.....	-	-	-	-	2	-	-
5.	SUGGESTIONS							
	(a) Number Pertaining to Production or Mill Procedure...	7	-	10	-	31	4	-
	(1) Number of Awards.....	-	-	4	-	10	1	-
	(2) Amount of Awards.....	-	-	\$20.00	-	\$58.00	\$5.80	-
	(3) Number Held for Future Consideration	-	-	37	-	45	6	-
	(b) Number Pertaining to Safety.....	-	-	6	1	10	1	-
	(1) Number of Awards.....	-	-	2	-	2	-	-
	(2) Amount of Awards.....	-	-	\$8.00	-	\$8.00	\$1.00	-
	(3) Number Held for Future Consideration	-	-	17	1	21	3	-
	(c) Number Pertaining to Office Procedure.....	-	-	-	-	1	-	-
	(1) Number of Awards.....	-	-	-	-	-	-	-
	(2) Amount of Awards.....	-	-	-	-	-	-	-
	(3) Number Held for Future Consideration	-	-	-	-	1	-	-
6.	INTERVIEWS WITH PRESENT EMPLOYEES							
	(a) Total Number.....	950	350	1,800	300	4,242	606	-
	(1) Employees.....	596	240	1,660	150	3,085	441	73%
	(2) Foremen.....	354	110	140	150	1,157	165	27%
7.	MEDICAL SERVICE							
	(a) Physical Exams - Total.....	102	56	69	35	316	45	4%
	(1) Applicants...	2	49	57	12	146	21	46%
	(2) Periodic Employees....	100	7	12	23	170	24	54%
	(b) Sickness							
	(1) Man Days Absent	60	277	580	218	2,553	365	-
	(2) First Aid Visits.....	945	400	769	99	3,977	568	-

CONSOLIDATED PERSONNEL REPORT (Continued)

PERSONNEL PRACTICES	PLANT A	PLANT C	PLANT D	PLANT E	TOTAL	AVERAGE	% OF TOTAL
8. SICKNESS OR MEDICAL BENEFITS							
(a) Number Receiving Benefits.....	-	33	49	-	150	21	-
(1) Office.....	-	2	5	-	14	2	-
(2) Mill.....	-	31	44	-	136	19	-
(b) Amount Paid.....	-	\$356	\$2,449	-	\$6,228	\$890	-
(1) Office.....	-	\$ 52	\$ 349	-	\$1,078	\$154	17%
(2) Mill.....	-	\$304	\$2,100	-	\$5,150	\$736	83%
9. HOSPITALIZATION BENEFITS							
(a) Office.							
(1) Amount Paid to Employees..	-	N.R.	\$72.50	-	\$972.11	-	-
(2) Amount Paid to Dependents.	-	N.R.	\$40.00	-	\$177.90	-	-
(b) Mill							
(1) Amount Paid to Employees..	-	N.R.	\$451.00	-	\$1,217.50	-	-
(2) Amount Paid to Dependents.	-	N.R.	-	-	\$307.25	-	-
10. HOME AND HOSPITAL VISITS							
(a) Sickness.....	2	42	5	-	56	-	-
(b) Occupational Injuries.....	-	1	6	-	16	-	-
(c) Welfare.....	-	2	2	-	11	-	-
11. HOUSEKEEPING RATING (Average for Month)...	N.R.	-	98.1	92.7	-	-	-
12. CONFERENCES							
(a) Training Conferences - Total							
Number.....	12	1	9	8	94	8	-
(1) Foremen.....	-	1	3	4	28	4	92%
(2) Employees.....	12	-	6	4	26	4	48%
(b) Apprentices -							
Total Number.....	-	-	4	3	10	1	-
(1) Machinists.....	-	-	4	2	9	1	-
(2) Electricians.....	-	-	-	1	1	-	-
(3) Tool and Die Makers.....	-	-	-	-	-	-	-
(c) Students -							
Total Number.....	-	-	9	-	9	1	-
(1) Cooperatives.....	-	-	-	-	-	-	-
(2) Sales.....	-	-	2	-	2	-	-
(3) Others.....	-	-	7	-	7	1	-
(d) Salesmen and Solicitors.....	9	45	42	-	129	18	-
15. LIBRARY							
(a) Number of Books...	-	-	30	-	921	-	-
(1) Number of Books Loaned.....	-	-	1	-	231	-	-
(b) Number of Magazines	36	35	41	-	170	-	-
(1) Number of Magazines Loaned...	16	25	10	-	51	-	-
14. CREDIT UNION							
(a) Number of Loans...	88	14	152	54	547	78	-
(b) Number of New Members.....	27	6	28	10	84	12	-

CONSOLIDATED PERSONNEL REPORT (Continued)

PERSONNEL PRACTICES	PLANT A	PLANT C	PLANT D	PLANT E	TOTAL	AVERAGE	% OF TOTAL
14. (c) Amount of Loans....	\$7,817	\$2,390	\$19,903	\$4,210	\$51,303	\$7,329	-
(d) Meetings.....	9	9	10	1	37	5	-
15. SAFETY							
(a) Number of Committee Meetings.....	5	8	38	5	73	10	-
(1) Employee.....	4	6	25	4	45	6	-
(2) Management.....	1	2	13	1	28	4	-
(b) Number of Safety Shoes Sold.....	38	44	43	49	246	35	-
(c) Number of Safety Guards Provided....	7	6	-	1	14	2	-
(d) Number of Goggles Provided.....	12	36	56	31	168	24	-
(e) Number of Face Shields Provided...	4	10	-	2	19	3	-
(1) Refills for Martindale Masks.....	-	160	104	-	360	51	-
(f) Respirators Provided.....	5	10	15	-	32	7	-
16. NUMBER PASSES ISSUED...	475	22	-	128	858	123	-
17. NUMBER CREDIT REFERENCES GIVEN.....	31	210	140	63	665	95	7%
18. NUMBER OF EMPLOYEES FOR WHOM EMPLOYMENT AND WAGE DATA HAS BEEN PROVIDED SOCIAL AGENCIES..	32	18	32	10	164	23	2%
19. NUMBER OF INQUIRIES REGARDING RECORD OF FORMER EMPLOYEES.....	16	56	181	17	362	52	-
20. NUMBER OF REPORTS PROVIDED STATE UNEMPLOYMENT OFFICE.....	2	12	29	39	124	8	2%
21. NUMBER OF UNION COMMITTEE MEETINGS.....	-	1	7	1	17	2	-
22. ATHLETIC AND SOCIAL ACTIVITIES							
(a) Number Scheduled...	28	32	28	8	139	20	-
(1) Number of Employees participating.....	100	154	63	48	698	100	7%
(2) Number of Employees Attending.....	353	40	300	100	1,203	172	13%
(b) Reports Prepared...	3	4	-	4	20	3	-

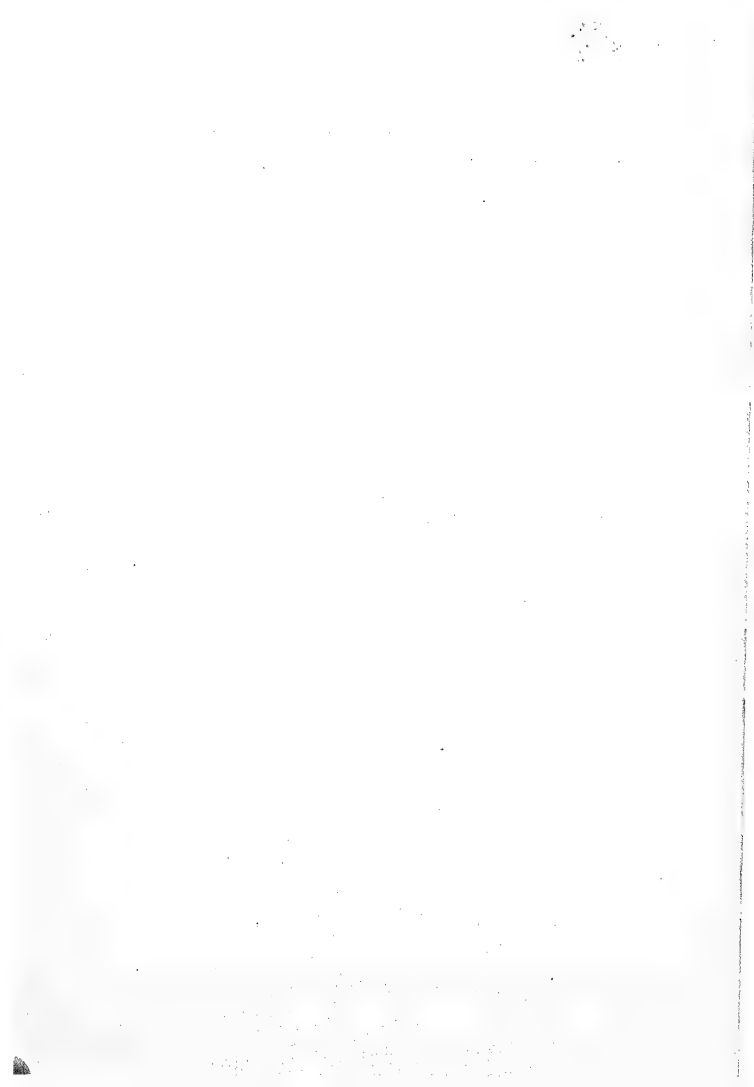
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